



United States Department of State  
*Bureau for International Narcotics  
and Law Enforcement Affairs*

# **International Narcotics Control Strategy Report**

## **March 1996**

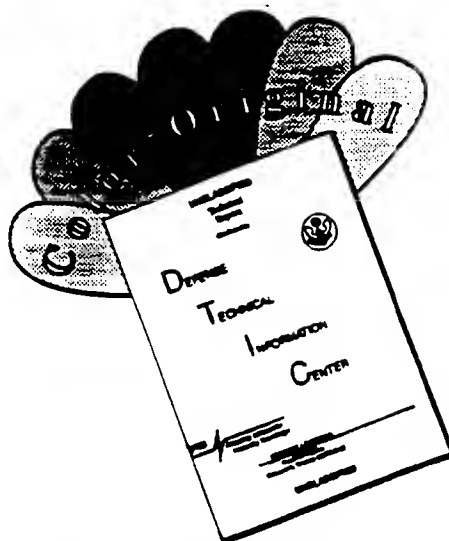
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# Major Coca and C

## Cultivation and Production E

### Introduction

Drug crop cultivation is a worldwide problem—with more than 20 countries involved in the illicit production of either coca or opium. Survey methods provide statistically valid estimates of the extent of narcotics cultivation within those countries that are the primary suppliers to the United States. Estimates of narcotics production are less certain than the estimates of cultivation, but their reliability is improving with increased knowledge of crop yields and processing efficiencies.

### Sample Survey-Based Estimation

Sample survey techniques, similar to the methods used by agricultural organizations for estimating the size of the land under cultivation, are the cornerstone of the methodology for estimating the amount of land under narcotics cultivation. Sample survey methods, in which a small percentage of the total area is selected for analysis, are efficient, timely, and have high statistical reliability. The only alternative to sample survey—the census method—requires every acre to be located and measured. This method is not practical for assessing narcotics crop cultivation in large areas because such areas are often thousands of acres in size and contain tens of thousands of

## Coca



Potential coca leaf production in 1995 increased substantially because of significant increases in Peru and Colombia. Farmers potentially produced nearly 310,000 metric tons of coca leaf, falling just short of the 1992 record. Coca leaf is produced in the Andean region of South America, mainly in Peru, Bolivia, and Colombia. Smaller amounts are produced in neighboring countries—including Brazil, Venezuela, Panama, and Ecuador—for which accurate cultivation and production estimates are unavailable.

Three varieties of coca—a perennial plant—are cultivated for cocaine production. The variety grown in Peru and Bolivia has the highest leaf yield and accounts for most of the world's cocaine. The other two varieties are grown in Colombia and northern Peru, but the variety most commonly grown in Colombia has a low leaf yield and low alkaloid content, while the other variety is difficult to process into cocaine.

# Coca and Opium Production

## Production Estimates, 1991-95

### Sample Survey-Based Estimation Methodology

Sample survey techniques, similar to those used by agricultural organizations for estimating the size of licit crops, are the cornerstone of the methodology for estimating the amount of land under narcotics cultivation. Sample survey methods, in which a small percentage of a growing area is selected for analysis, are efficient, timely, and noted for their statistical reliability. The only alternative to a sample survey—the census method—requires every field to be located and measured. This method is not practical for assessing narcotics crop cultivation in growing regions because such areas are often thousands of square kilometers in size and contain tens of thousands of fields.

A well-designed sample survey can produce estimates of cultivation that are as accurate as a full census. Estimates of potential narcotics production are calculated by multiplying the survey-based estimates of cultivation by estimates of narcotics crop yield. Although cultivation estimates can be calculated with considerable certainty, the reliability of narcotics production estimates cannot be determined because these calculations incorporate yield figures that are not statistically derived. Nevertheless, the overall validity of these estimates is established by a systematic analysis of information from all available sources with respect

## Opium



Coca leaf production in 1995 increased substantially from 1994. Significant increases in Peru and Colombia. Farmers produced nearly 310,000 metric tons of coca leaf, up from 270,000 metric tons in 1994, the highest level of the 1992 record. Coca leaf is produced in the northern part of South America, mainly in Peru, Bolivia, and Colombia. Smaller amounts are produced in neighboring countries including Brazil, Venezuela, Panama, and Ecuador—although the latter two countries have no cultivation and production estimates are not available.

Two varieties of coca—a perennial plant—are cultivated for cocaine production. The variety grown in Peru and Bolivia has a high yield and accounts for most of the world's cocaine. The other two varieties are grown in Colombia and Venezuela, but the variety most commonly grown in Colombia has a low leaf yield and low alkaloid content, while the variety grown in Venezuela is difficult to process into cocaine.

Worldwide illicit opium production reached a record 4,200 metric tons in 1995 with a potential yield of 12,000 metric tons of heroin. This increase was because of more normal growing conditions in Southeast Asia and further expansions in poppy cultivation in south



# Producing Nations

1-95

can produce estimates of  
s a full census. Estimates of  
e calculated by multiplying  
ltivation by estimates of  
ultivation estimates can be  
tainty, the reliability of  
annot be determined because  
eld figures that are not  
ss, the overall validity of  
a systematic analysis of  
ources with respect

to reported weather and other agronomic factors that are  
known to affect crop yield and, therefore, production:

- All reports of yield are evaluated for continuity, discrepancies, and limitations—such as geographic location, soil fertility, and farming practices.
- The weather is analyzed over the growing areas throughout the entire growing season to determine if conditions for cultivation and harvesting are consistent with reported yields.



m production reached a record high of  
995 with a potential yield of some 380  
This increase was because of the return of  
conditions in Southeast Asia as well as  
poppy cultivation in southern Afghanistan

## Southeast Asia Opium Cultivation and Production

	1991	1992	1993	1994
<b>Net cultivation</b>	<b>192,625</b>	<b>181,360</b>	<b>194,720</b>	<b>167,230</b>
<i>(hectares)</i>				
Burma	160,000	153,700	165,800	146,600
Laos	29,625	25,610	26,040	18,520
Thailand	3,000	2,050	2,880	2,110
<b>Potential production</b>	<b>2,650</b>	<b>2,534</b>	<b>2,797</b>	<b>2,132</b>
<i>(metric tons)</i>				
Burma	2,350	2,280	2,575	2,030
Laos	265	230	180	85
Thailand	35	24	42	17
<b>Potential heroin</b>	<b>221</b>	<b>211</b>	<b>234</b>	<b>177</b>
<i>(metric tons)</i>				
Burma	196	190	215	169
Laos	22	19	15	7
Thailand	3	2	4	1

Opium cultivation and production in **Burma**, **Laos**, and **Thailand** increased in the return of more normal growing conditions after a regional drought significant

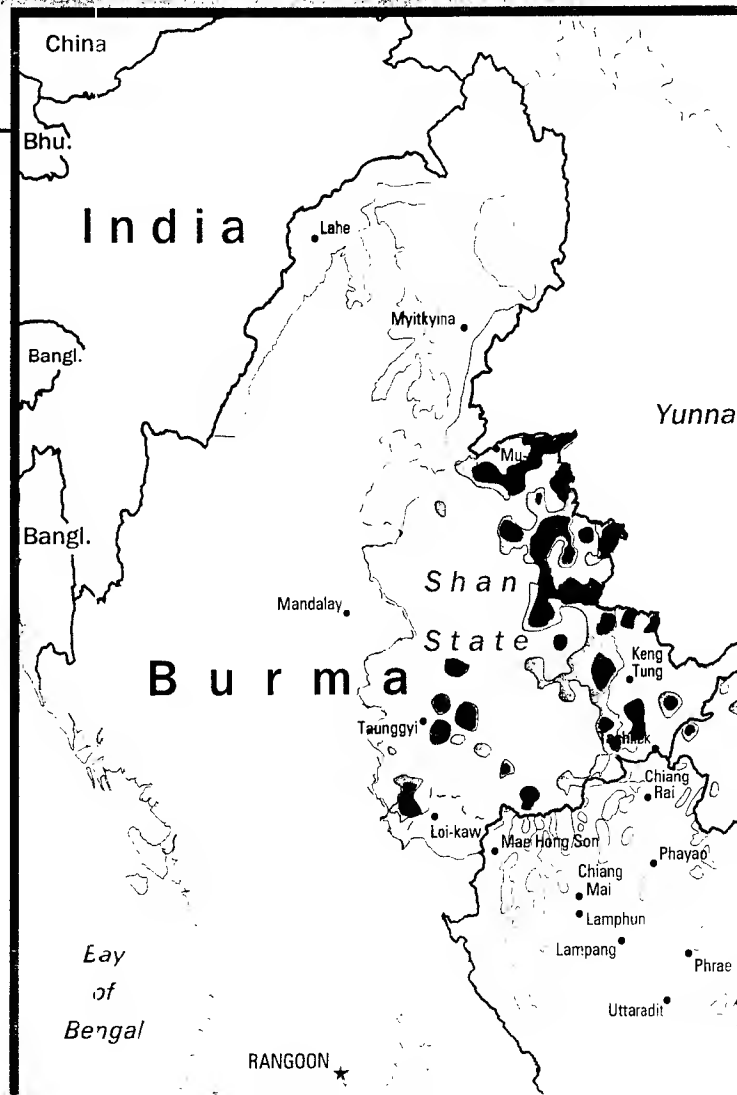
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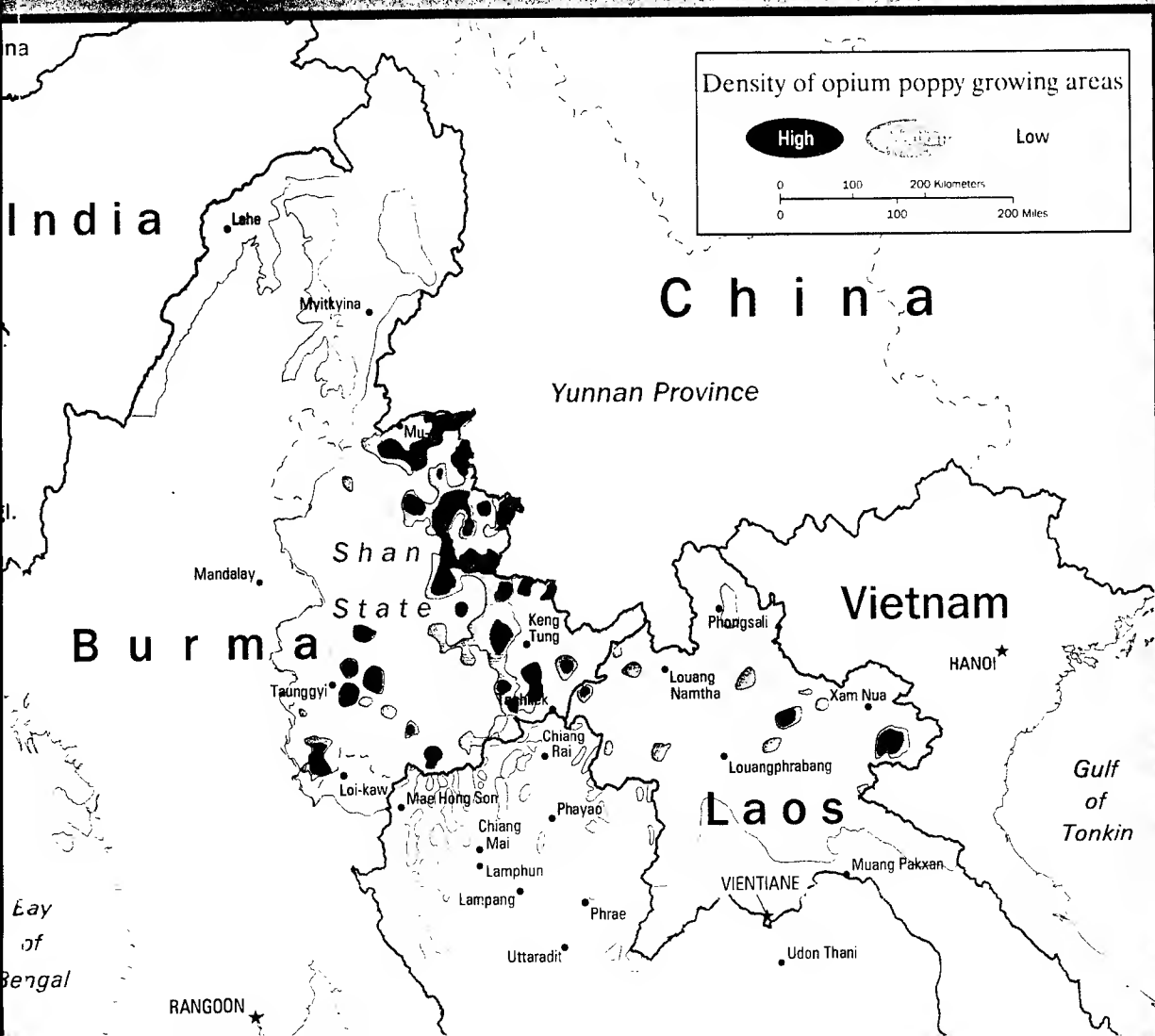
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	1992	1993	1994	1995
5	181,360	194,720	167,230	175,470
0	153,700	165,800	146,600	154,070
5	25,610	26,040	18,520	19,650
0	2,050	2,880	2,110	1,750
0	2,534	2,797	2,132	2,545
0	2,280	2,575	2,030	2,340
5	230	180	85	180
5	24	42	17	25
1	211	234	177	212
n	190	215	169	195
2	19	15	7	15
3	2	4	1	2

on in **Burma**, **Laos**, and **Thailand** increased in 1995 with  
ng conditions after a regional drought significantly





**Colombia** has a low leaf yield and low alkaloid content, while the other variety is difficult to process into cocaine.

## Andean Region

### Coca Cultivation and Leaf Production

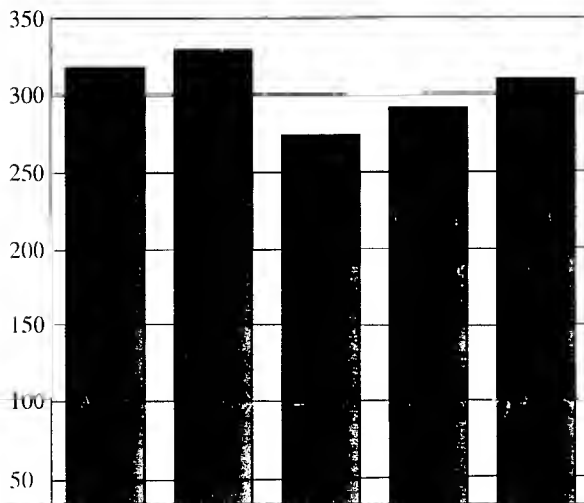
	1991	1992	1993	1994	1995
<b>Net cultivation</b>	<b>206,200</b>	<b>211,700</b>	<b>195,700</b>	<b>201,700</b>	<b>214,800</b>
<i>(hectares)</i>					
Peru	120,800	129,100	108,800	108,600	115,300
Bolivia	47,900	45,500	47,200	48,100	48,600
Colombia	37,500	37,100	39,700	45,000	50,900
<b>Potential leaf production</b>	<b>317,700</b>	<b>329,100</b>	<b>273,700</b>	<b>291,200</b>	<b>309,400</b>
<i>(metric tons)</i>					
Peru	209,700	219,200	157,600	165,400	183,600
Bolivia	78,000	80,300	84,400	89,800	85,000
Colombia	30,000	29,600	31,700	36,000	40,800
<b>Potential cocaine</b>	<b>805</b>	<b>835</b>	<b>715</b>	<b>760</b>	<b>780</b>
<i>(metric tons)</i>					
Peru	525	550	410	435	460
Bolivia	220	225	240	255	240
Colombia	60	60	65	70	80

Production in **Peru** jumped in 1995 because the extensive new fields planted in 1993 reached maturity. Farmers continued to plant new fields in the Upper Huallaga Valley, Aguaytia, and Apurimac growing areas while further cultivation abandonment was detected in the northern Huallaga Valley. In 1995, **Bolivia's** eradication program held cultivation near 1994 levels, and the destruction of mature coca resulted in a significant drop in potential leaf production.

**Colombia's** farmers continued to expand cultivation, particularly in southern Guaviare, Putumayo and Caqueta growing areas resulting in an overall increase even with an active eradication program. Bolivia and Peru production estimates reflect new yields and cocaine processing efficiencies resulting from USG research over the last few years.

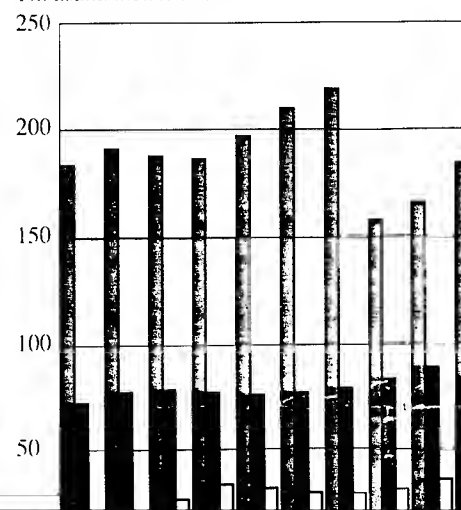
### Potential Andean Coca Leaf Production

Thousand metric tons



### World Coca Leaf Production by Country

Thousand metric tons



ombia has a low leaf yield and low alkaloid content, while other variety is difficult to process into cocaine.

1993	1994	1995
195,700	201,700	214,800
108,800	108,600	115,300
47,200	48,100	48,600
39,700	45,000	50,900
273,700	291,200	309,400
157,600	165,400	183,600
84,400	89,800	85,000
31,700	36,000	40,800
715	760	780
410	435	460
240	255	240
65	70	80

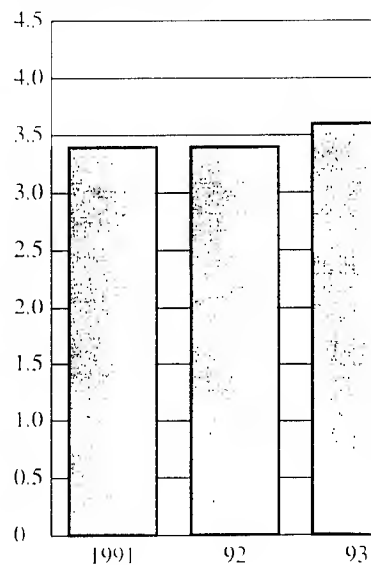
ensive new fields planted in 1993 reached e Upper Huallaga Valley, Aguaytia, and andonment was detected in the northern am held cultivation near 1994 levels, and nt drop in potential leaf production, particularly in southern Guaviare, overall increase even with an active imates reflect new yields and cocaine over the last few years.

worldwide then opium production 4,200 metric tons in 1995 with a po metric tons of heroin. This increase more normal growing conditions in further expansions in poppy cultivat In Latin America, net opium cultiva increased eradication in 1995, while Colombia poppy crop estimated cul than previously believed. Opium pr firm estimates are not available—Ira the former Soviet Union, Vietnam, a 10 percent to the total. Cultivation relatively minor but may be expand

Opium poppy is an annual plant; or grown in areas with distinct seasons dry—but cultivation can be year-roo mates. The seasonal nature of opium variables, such as opium prices and production to fluctuate from year to typical of coca cultivation.

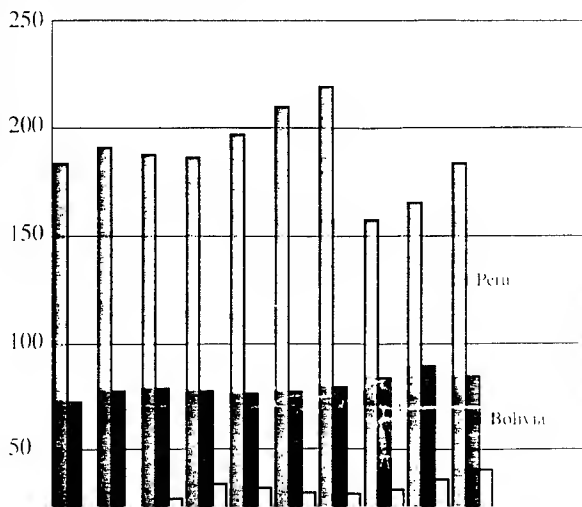
#### Potential Worldwide Opium P

Thousand metric tons



#### World Coca Leaf Production by Country

Thousand metric tons



Worldwide illicit opium production reached a record high of 4,200 metric tons in 1995 with a potential yield of some 380 metric tons of heroin. This increase was because of the return of more normal growing conditions in Southeast Asia as well as further expansions in poppy cultivation in southern Afghanistan. In Latin America, net opium cultivation declined in Mexico with increased eradication in 1995, while the first scientific survey of Colombia poppy crop estimated cultivation at a much lower level than previously believed. Opium production in areas for which firm estimates are not available—Iran, the southern republics of the former Soviet Union, Vietnam, and Peru—could add another 10 percent to the total. Cultivation in these countries is probably relatively minor but may be expanding.

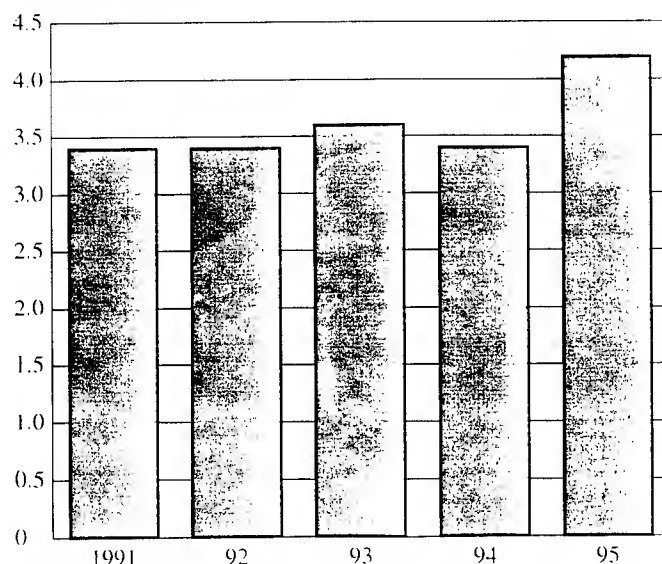
Opium poppy is an annual plant: only one crop per year can be grown in areas with distinct seasons—hot and cold, wet and dry—but cultivation can be year-round in more favorable climates. The seasonal nature of opium cultivation plus other variables, such as opium prices and labor availability, can cause production to fluctuate from year to year much more than is typical of coca cultivation.

## Thailand

Opium cultivation and production in Thailand declined after the return of more normal growing conditions in 1994. Under the reduced both cultivation and production. Under the producer, the regime has little at Shan State that are dominated by returned to 1993 levels after several years of production increased in Thailand. Thailand remains a major consumer of opium. A second survey in China's Yunnan province found production modest and dropped slightly in

## Potential Worldwide Opium Production

Thousand metric tons



## Southwest Asia

### Opium Cultivation and Production

	1991
<b>Net cultivation</b>	<b>25,390</b>
(hectares)	
Afghanistan	17,190
Pakistan	8,200
<b>Potential production</b>	<b>75,000</b>
(metric tons)	
Afghanistan	57,000
Pakistan	18,000
<b>Potential heroin</b>	<b>7,000</b>
(metric tons)	
Afghanistan	5,000
Pakistan	2,000

In Afghanistan—the world's largest producer of opium—cultivation areas continued to be the center of poppy cultivation, mostly concentrated in the North-West Frontier Province. In Nangarhar, local conflict apparently resulted in a 25-percent decline in cultivation in the North-West Frontier Province. The federal government has little control over the decline in cultivation with a potential yield of some 57,000 metric tons. Opium production in regional neighbors. Opium production

Opium cultivation and production in **Burma**, **Laos**, and **Thailand** increased in 1995 with the return of more normal growing conditions after a regional drought significantly reduced both cultivation and production in 1994. In **Burma**, the world's largest opium producer, the regime has little authority over the opium producing areas largely in the Shan State that are dominated by ethnic insurgent groups. Opium production in **Laos** returned to 1993 levels after several years of poor growing conditions. Although opium production increased in **Thailand**, sustained counternarcotics efforts limited the rebound. **Thailand** remains a major conduit for trafficking of Burmese-produced heroin. Our second survey in China's **Yunnan Province** indicates that cultivation there remains modest and dropped slightly in 1995 to some 1,300 hectares.

## Southwest Asia

### Opium Cultivation and Production

	1991	1992	1993	1994	1995
<b>Net cultivation</b>	<b>25,395</b>	<b>27,640</b>	<b>27,360</b>	<b>36,450</b>	<b>45,690</b>
<i>(hectares)</i>					
Afghanistan	17,190	19,470	21,080	29,180	38,740
Pakistan	8,205	8,170	6,280	7,270	6,950
<b>Potential production</b>	<b>750</b>	<b>815</b>	<b>825</b>	<b>1,110</b>	<b>1,405</b>
<i>(metric tons)</i>					
Afghanistan	570	640	685	950	1,250
Pakistan	180	175	140	160	155
<b>Potential heroin</b>	<b>75</b>	<b>82</b>	<b>83</b>	<b>111</b>	<b>140</b>
<i>(metric tons)</i>					
Afghanistan	57	64	69	95	125
Pakistan	18	18	14	16	15

In **Afghanistan**—the world's second-largest opium producer—the southern growing areas continued to be the center of opium production with a 60-percent increase in poppy cultivation, mostly coming from two newly identified growing areas in Helmand Province. In Nangarhar, local leaders instituted an eradication program in 1995 that apparently resulted in a 25-percent drop in cultivation there. Cultivation in **Pakistan** is in the North-West Frontier Province and the Federally Administered Tribal Areas where the federal government has little control. The 1995 survey of **India's** illicit poppy crop detected a decline in cultivation—down from 5,500 hectares in 1994 to 4,750 in 1995—with a potential yield of some 70 metric tons, modest production compared to its regional neighbors. Opium production in **Lebanon** remained minimal in 1995.

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Iran

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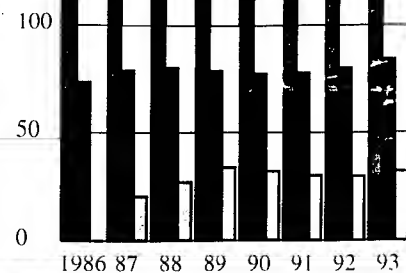
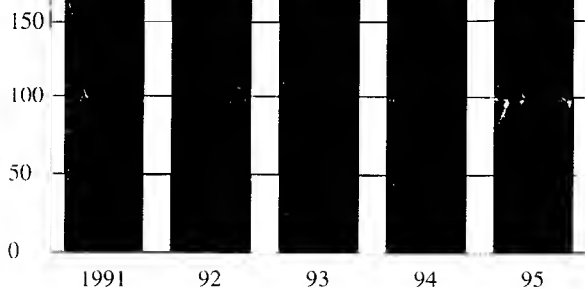
Iran

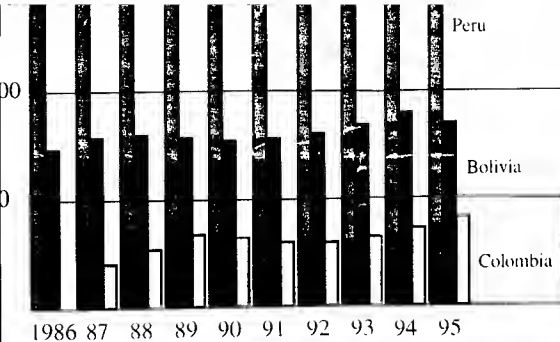
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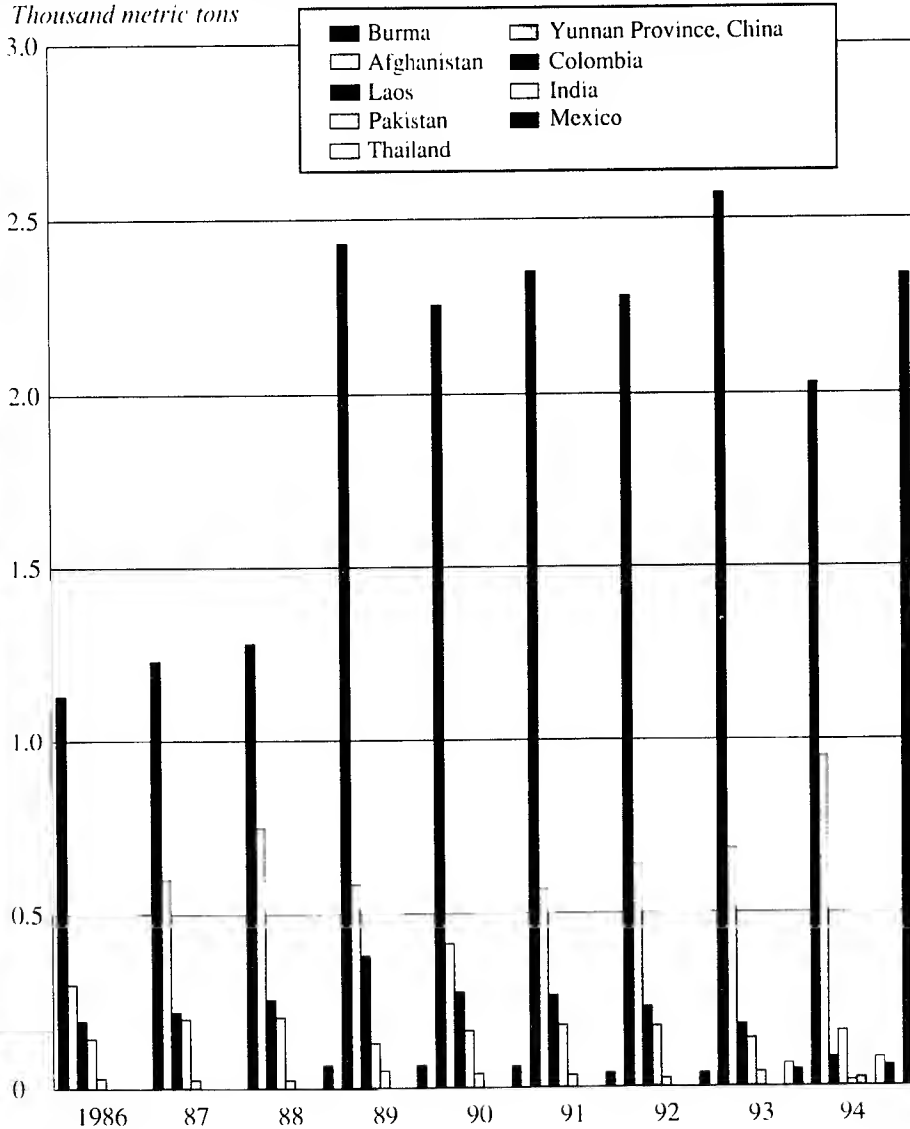






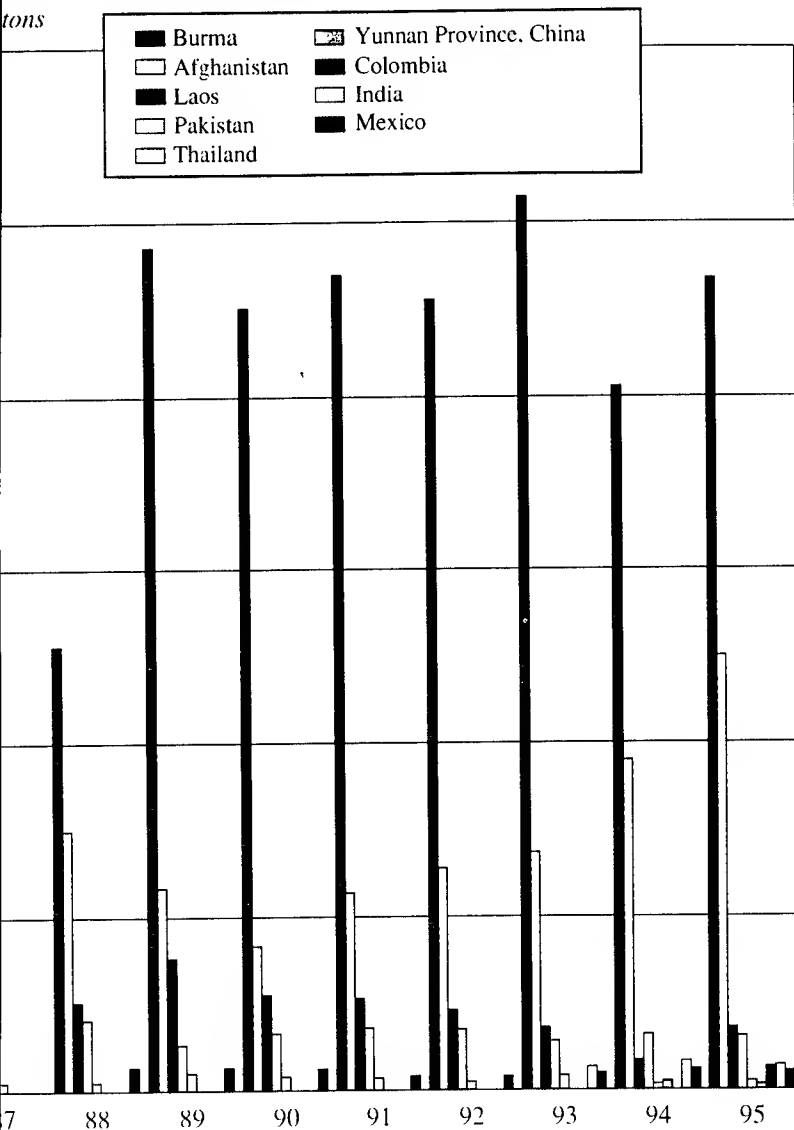
## World Opium Production by Country

Thousand metric tons



with a potential yield of some 70 metric tons, modest regional neighbors. Opium production in **Lebanon** re

## Opium Production by Country



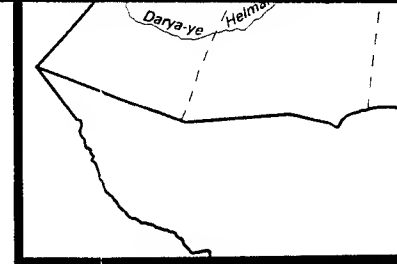
## Latin America

### Opium Cultivation and Production

	1991	1992
<b>Net cultivation</b>	<b>4,910</b>	<b>3,310</b>
<i>(hectares)</i>		
Mexico	3,765	3,310
Guatemala	1,145	negl
Colombia		
<b>Potential production</b>	<b>52</b>	<b>40</b>
<i>(metric tons)</i>		
Mexico	41	40
Guatemala	11	negl
Colombia		
<b>Potential heroin</b>	<b>5</b>	<b>4</b>
<i>(metric tons)</i>		
Mexico	4	4
Guatemala	1	negl
Colombia		

Opium production in **Mexico** declined with an increase in poppy cultivation in **Guatemala** remains at negligible levels due to US-funded eradication programs. Because of the decline in cultivation in **Colombia** appears to have stabilized operations along both sides of the border between northern **Venezuela** have stemmed nascent opium production.

With a potential yield of some 70 metric tons, Mexican production is regional neighbors. Opium production in **Lebanon** remained minimal in 1995.

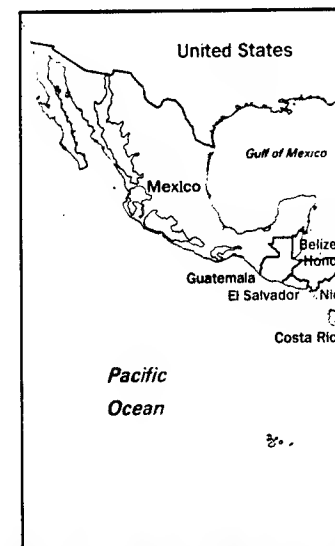
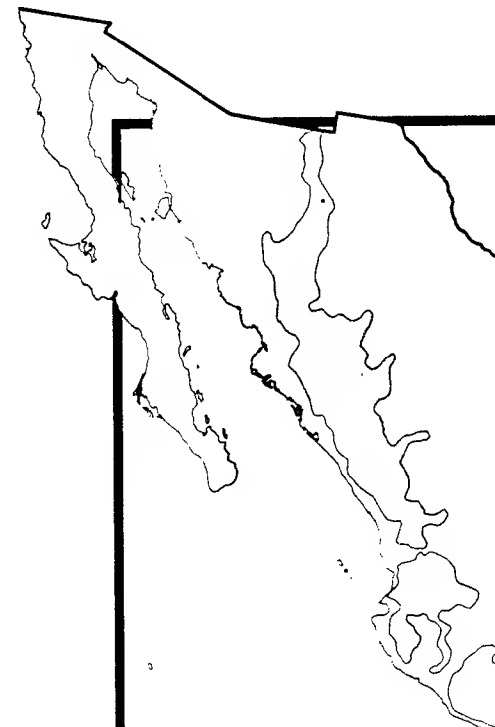


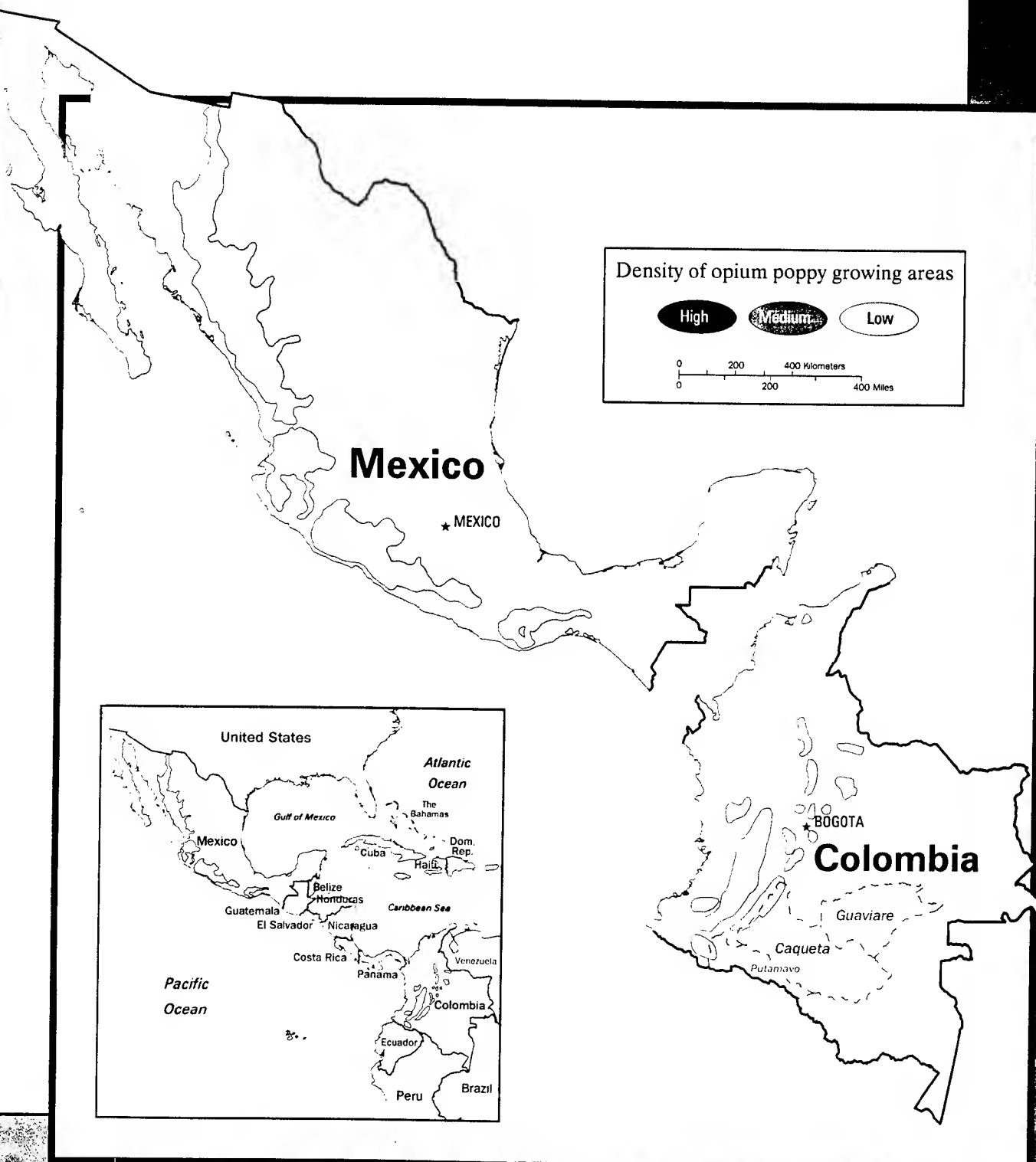
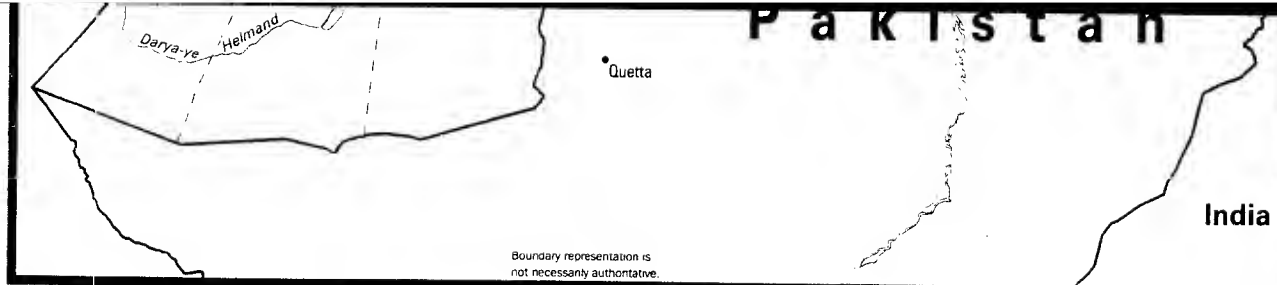
## Latin America

### Opium Cultivation and Production

	1991	1992	1993	1994	1995
<b>Net cultivation</b> (hectares)	<b>4,910</b>	<b>3,310</b>	<b>3,960</b>	<b>5,795</b>	<b>11,590</b>
Mexico	3,765	3,310	3,960	5,795	5,050
Guatemala	1,145	negl	negl	negl	negl
Colombia					6,540
<b>Potential production</b> (metric tons)	<b>52</b>	<b>40</b>	<b>49</b>	<b>60</b>	<b>118</b>
Mexico	41	40	49	60	53
Guatemala	11	negl	negl	negl	negl
Colombia					65
<b>Potential heroin</b> (metric tons)	<b>5</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>11</b>
Mexico	4	4	5	6	5
Guatemala	1	negl	negl	negl	negl
Colombia					6

Opium production in **Mexico** declined with an increase in eradication efforts in 1995. Poppy cultivation in **Guatemala** remains at negligible levels, chiefly because of continued US-funded eradication programs. Because of Bogota's eradication program, poppy cultivation in **Colombia** appears to have stabilized at a relatively low level. Eradication operations along both sides of the border between northeastern Colombia and northwestern **Venezuela** have stemmed nascent opium production there.





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### **COMMON ABBREVIATIONS**

CBRN	Caribbean Basin Radar Network
CICAD	Inter-American Drug Abuse Control Commission
DEA	Drug Enforcement Administration
ESF	Economic Support Fund
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
INCSR	International Narcotics Control Strategy Report
INM	See INL
INL	Bureau for International Narcotics Control and Law Enforcement Affairs
JICC	Joint Information Coordination Center
MLAT	Mutual Legal Assistance Treaty
NBRF	Northern Border Response Force
NNICC	National Narcotics Intelligence Consumers Committee
OAS	Organization of American States
OPBAT	Operation Bahamas, Turks and Caicos
UN Convention	United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNDCP	United Nations International Drug Control Program
USAID	Agency for International Development
USG	United States Government
ha	Hectare
HCl	Hydrochloride (cocaine)
kg	Kilogram
mt	Metric Ton

# CERTIFICATION 1987-1996

Country	1996			1995			1994			1993			1992			1991			1990			1989			1988			1987		
	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.	Cert. with Expi.	Natl. Interest Cert.	Denied Cert.			
1 Afghanistan	X		X																											
2 The Bahamas	X																													
3 Belize****	X																													
4 Bolivia	X																													
5 Brazil	X																													
6 Burma	X																													
7 Cambodia##																														
8 China**	X																													
9 Colombia	X																													
10 Dom Rep #	X																													
11 Ecuador	X																													
12 Guatemala***	X																													
13 Haiti #	X																													
14 Hong Kong	X																													
15 India	X																													
16 Iran																														
17 Jamaica	X																													
18 Laos	X																													
19 Lebanon																														
20 Malaysia																														
21 Mexico	X																													
22 Morocco****	X																													
23 Nigeria																														
24 Pakistan																														
25 Panama	X																													
26 Paraguay																														
27 Peru	X																													
28 Syria																														
29 Taiwan #	X																													
30 Thailand	X																													
31 Venezuela**	X																													
32 Vietnam #	X																													

\* All Foreign Assistance Act of 1961, Section 481(h) certifications listed in this table were made on March 1 of the Calendar year indicated. The exceptions are: (1) the out-of-cycle certification for Panama, in January 1990, and (2) the certifications for 1993 and 1994.

The Congress did not provide the joint resolution of approval required for out-of-cycle certifications, but provided assistance and lifted sanctions notwithstanding the lack of a certification. P.L. 102-583, the International Narcotics Control Act of 1992, added Section 190, which for FY 93 and 94 only changed the certification date to April 1.

\*\* Added in 1991.

\*\*\* Added in 1990.

\*\*\*\* Belize was removed from the major drug producing country list in 1995. Morocco in 1994. Belize was added as a major drug transit country in February 1996.

The first certifications with explanation were used in FY 1988, and were called "justifications." "Explanations" were first used in 1989.

# Added in 1995. ## Added in 1996

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THE WHITE HOUSE  
Office of the Press Secretary

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For Immediate Release

February 23, 1996

TEXT OF A LETTER FROM THE PRESIDENT  
TO THE CHAIRMEN AND RANKING MEMBERS OF THE  
SENATE COMMITTEE ON FOREIGN RELATIONS,  
THE SENATE COMMITTEE ON APPROPRIATIONS,  
THE HOUSE COMMITTEE ON APPROPRIATIONS,  
AND THE HOUSE COMMITTEE ON INTERNATIONAL RELATIONS

February 22, 1996

Dear Mr. Chairman: (Dear Ranking Member:)

In accordance with the provisions of section 490(h) of the Foreign Assistance Act of 1961 (FAA), as amended, I have determined that the following countries are major illicit drug producing or drug transit countries: Afghanistan, The Bahamas, Belize, Bolivia, Brazil, Burma, Cambodia, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Iran, Jamaica, Laos, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Syria, Taiwan, Thailand, Venezuela, and Vietnam. These countries have been selected on the basis of information from the March 1, 1995, International Narcotics Control Strategy Report and from other United States Government sources.

No countries on the 1995 list have been removed from the list this year. I have added Belize and Cambodia to the list for the following reasons:

Belize. In my letter of February 2, 1995, which removed Belize from last year's list of major drug-producing countries, I stated, "We will be watching to determine whether it becomes a major transit point for drugs moving to the United States." I did so because Belize's geographical

location south of Mexico's Yucatan peninsula makes it an ideal strategic drug transshipment point for U.S.-bound cocaine shipments. The country's long, unprotected coastline, large tracts of rain forest, many inland waterways and large unpopulated areas make Belize an inviting feeder site for moving drugs into the mainstream Mexican trafficking routes that carry the bulk of South American cocaine to U.S. markets. Despite a demonstrated commitment to cut off access to these routes, the Government of Belize lacks the human and material resources to control its borders adequately. In earlier years, the British Defense Forces stationed in Belize were a partial deterrent to drug traffic, though cocaine transited the country even then. Their withdrawal in late 1994 cleared the way for new trafficking opportunities.

There is little doubt that traffickers are exploiting Belize's vulnerable antidrug infrastructure, particularly as other countries have strengthened their counternarcotics efforts. The very factors that make Belize attractive as a backdoor to the Mexican cocaine route to the United States preclude a precise estimate of the volume of drugs transiting Belize. But it is clear from a number of airdrops off Belize's coast and important seizures that the trafficking organizations view it as a valuable transit point. Mexico's disruption of the large jets carrying multi-ton loads of cocaine ("cargas") has made Belize even more attractive as a feed-in point for U.S.-bound cocaine.

While shipments transiting Belize are smaller than those entering Mexico directly, they can still be sizable. For example, in a single operation in 1995, Belizean authorities seized more than half a ton (636 kilograms) of U.S.-bound cocaine and arrested two Colombians and a Belizean believed to be connected to the Cali cartel. In all of 1995, Belizean authorities seized a total of 840 kilograms of cocaine, which probably represents only a small fraction of the cocaine actually finding its way to the Mexican conduit to the United States. Moreover, this route is not new, since Belizean authorities reported seizing 850

kilograms of cocaine in 1993, and 650 kilograms in 1990. Consequently, I am now adding Belize to the list as a major drug transit country.

Cambodia. Over the past year we have seen numerous indicators that the heroin trafficking problem in Cambodia is severe. Newly formed and undertrained drug enforcement units have made large seizures of heroin. Cambodian police and customs sources have uncovered narcotics cases that involve the Cambodian military and police. Narcotics-related corruption also seems to be a problem in government and business circles. Cambodia shares borders with Thailand, Laos, and Vietnam -- all countries on the list of major drug producing and drug transit countries.

The Cambodian government formally acknowledged that drug transshipment was a significant problem in a royal decree establishing an interministerial committee against narcotics signed by the King on September 7. The head of the Phnom Penh Municipal Counternarcotics Bureau has stated to the press that as much as 600 kilograms of heroin is smuggled through Cambodia each week. While we have no evidence to corroborate this figure, which seems high, seizures in Cambodia give us reason to believe there is a significant volume of heroin transiting the country. On August 11, the Cambodian Customs Service seized 71 kilograms of heroin hidden in a speedboat in Koh Kong province. This is the largest seizure ever made in Cambodia and one of the largest made in Southeast Asia this year. Two west African traffickers apprehended by the Cambodian authorities in July have admitted smuggling heroin to the United States and other destinations.

The extent of narcotics-related corruption suggests that the overall drug transshipment problem in Cambodia may be even greater than recent seizures suggest. There have been investigations and arrests involving both police and military suspects. Local police were arrested in the 71-kilogram heroin seizure in Koh Kong province. In August, Thai police arrested several Cambodians including members of the Cambodian military for attempted marijuana smuggling. For

all the reasons listed above, I believe it is appropriate for Cambodia to be added to the list as a transit country.

Major Cannabis Producers. While Kazakstan, Kyrgyzstan, Morocco, the Philippines, and South Africa are important cannabis producers, they do not appear on this list since I have determined that in all cases the illicit cannabis is either consumed locally or exported to countries other than the United States, and thus such illicit cannabis production does not significantly affect the United States. (FAA 481(e)(2) states that a country that cultivates and harvests more than 5,000 hectares per year of illicit cannabis falls within the definition of a "major illicit drug producing country," unless I determine that such illicit cannabis production does not significantly affect the United States.)

Turkey and Other Balkan Route Countries. Turkey and its neighboring countries play a key role as a major transit route for much of the Southwest Asian heroin moving to Western and Central Europe along the so-called Balkan Route. We know that some of this heroin also flows to the United States, but thus far our information has been limited and we have traced only relatively small quantities. We will be looking further into this issue over the next year. Insofar as we determine that heroin transiting Turkey, Bulgaria, Greece, the Former Republic of Yugoslavia, Bosnia, Croatia, the Former Yugoslavian Republic of Macedonia, or other European countries on the Balkan Route significantly affects the United States, I will add such countries to the list.

Cuba. We still do not have sufficient evidence that Cuba plays an active role in the drug trade affecting the United States to add it to the list at this time. However, Cuba's geographic location and evidence of some movement of drugs around the island indicate it could become a target for greater trafficking activity in the future.

Central Asia. During 1995, we conducted probe efforts in Tajikistan and Uzbekistan, traditional opium poppy growing areas of the former Soviet Union. These probes did not show significant opium poppy cultivation. If ongoing analysis reveals cultivation

of 1,000 hectares or more of poppy, I will add the relevant countries to the list.

Sincerely,

WILLIAM J. CLINTON

# # #



THE WHITE HOUSE

WASHINGTON

March 1, 1996

Presidential Determination  
No. 96-13

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Certification for Major Narcotics Producing and  
Transit Countries

By virtue of the authority vested in me by section 490(b)(1)(A) of the Foreign Assistance Act of 1961, as amended, ("the Act"), I hereby determine and certify that the following major drug producing and/or major drug transit countries/territories have cooperated fully with the United States, or taken adequate steps on their own, to achieve full compliance with the goals and objectives of the 1988 United Nations Convention Against Illicit Traffic in Narcotics Drugs and Psychotropic Substances:

The Bahamas, Belize, Bolivia, Brazil, Cambodia, China, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Jamaica, Laos, Malaysia, Mexico, Panama, Peru, Taiwan, Thailand, Venezuela, and Vietnam.

By virtue of the authority vested in me by section 490(b)(1)(B) of the Act, I hereby determine that it is in the vital national interests of the United States to certify the following countries:

Lebanon, Pakistan, and Paraguay.

Information on these countries, as required under section 490(b)(3) of the Act, is attached.

I have determined that the following major producing and/or major transit countries do not meet the standards set forth in section 490(b):

Afghanistan, Burma, Colombia, Iran, Nigeria, and Syria.

I have made these determinations, taking into account the factors set forth in section 490 of the Act and based on the information contained in the International Narcotics Control Strategy Report of 1996. Because the performance of these countries varies, I have attached an explanatory statement in each case.

You are hereby authorized and directed to report this determination to the Congress immediately and to publish it in the Federal Register.

William P. Clinton

STATEMENT OF EXPLANATION

AFGHANISTAN

In 1995, opium poppy crop surveys again showed a substantial increase in cultivation within Afghanistan. According to USG estimates, cultivation rose to 38,740 hectares, a 33 percent increase, 80 percent of this in newly discovered areas of vegetation. Excluding the newly discovered areas and Nangarhar Province (where eradication was undertaken), the average increase in poppy cultivation was 24 percent. Production rose to an estimated 1,250 metric tons, a 32 percent increase, the second consecutive year of dramatic increase. Afghan opium poppy cultivation has nearly doubled since 1992, and Afghanistan remains the second largest opium producer in the world, after Burma.

The continuing civil war in Afghanistan among rival factions has led to widespread lawlessness and dire economic conditions for much of the country. In the absence of a functioning government in Afghanistan, there is no bilateral agreement on narcotics between Afghanistan and the United States. In 1992, the nominal government, which controls less than 20 percent of the country, ratified the 1988 UN Convention, but little visible progress has been made in achieving its goals.

In Nangarhar province, a poppy eradication campaign, led by Governor Haji Qadir, in late 1994-early 1995 reduced poppy cultivation by more than 22 percent. No evidence has been seen of a similar campaign in the current growing season. In October, Nangarhar opened an anti-drug center, combining drug control and economic development functions. Several other groups stated their opposition to narcotics production and trafficking and requested U.S. counternarcotics assistance.

Despite this professed interest in counternarcotics programs, there were no reports of efforts by any factions to attempt to investigate, arrest or prosecute traffickers. Reports further indicate that Afghan traffickers are processing more of their own opium into heroin in-country, rather than shipping raw opium to Pakistan for conversion.

Many local authorities condone both cultivation of opium poppy and trafficking through their territory. Some officials profit from the production and trafficking either directly or indirectly.

The USG has a strong interest in helping Afghanistan develop a broad-based national government that can address the problems of narcotics, terrorism, and humanitarian concerns. The USG supports the UN Special Mission to achieve this goal. The USG also supports, subject to resource availability, the programs of the UN agencies and non-governmental agencies aimed at humanitarian relief, reconstruction, and counternarcotics.

Inasmuch as legislation makes special allowance for continuation of such assistance generally and of assistance for Afghanistan specifically, notwithstanding any other provision of law, denying certification to Afghanistan would have minimal effect in terms of implementation of this policy.

The continued growth in Afghan opium poppy cultivation, which has trebled since 1990, combined with the absence of efforts to control trafficking, precludes a determination that Afghanistan has taken adequate counternarcotics steps on its own or that it has sufficiently cooperated with the USG and the UN in counternarcotics efforts. Accordingly, denial of certification is appropriate.

STATEMENT OF EXPLANATION

THE BAHAMAS

The Bahamas remains a major transit country for U.S.-bound Colombian cocaine and Jamaican marijuana, despite significant reduction over the past ten years of the volume of drugs moving through it. The Bahamas is a dynamic financial services center and a tax haven with bank secrecy laws, conditions conducive to money laundering. There is little significant cultivation or production of illegal drugs in The Bahamas.

Effective Bahamian and combined U.S.-Bahamian drug enforcement efforts continue to dampen drug trafficking through The Bahamas. The Government of the Commonwealth of The Bahamas (GCOB) strives to fulfill the goals and objectives of U.S.-Bahamian bilateral counternarcotics accords, including extraordinary cooperation with USG drug interdiction efforts. Concerned by trafficker use of Cuban territory to evade Bahamian law enforcement, during 1995 the Bahamian police established improved telecommunications ties with working level Cuban counternarcotics officials. The first country to ratify the 1988 UN Convention, The Bahamas took further steps during 1995 to implement it. The Bahamian parliament adopted improved anti-money laundering legislation, which is expected to enter into force in the first half of 1996 when implementing regulations are issued. The GCOB also moved to strengthen its justice system, with assistance from the USG. Demand reduction efforts are supported by the GCOB, UNDCP and the USG. The number of new drug users appears to have declined notably since the mid-1980s, although a high number of chronic cocaine addicts remains a serious problem, as does drug-related street crime. As a matter of policy, the GCOB does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds therefrom. Over the past several years, The Bahamas has prosecuted and convicted some middle and low-level officials for narcotics-related corruption.

To bolster its counternarcotics and money laundering defenses, The Bahamas needs to continue its efforts to improve the efficiency and effectiveness with which the justice system handles drug-related cases and intensify its efforts to forfeit assets from traffickers. Increasing forfeitures would not only deter traffickers, but would also better enable the GCOB to fund its own drug control activities. The Bahamas will need to enforce its new money laundering legislation vigorously, especially the requirements for recording and reporting suspicious transactions, and to undergo evaluation of its money laundering controls by the Caribbean Financial Action Task Force, an action which has been postponed until after implementation of the new money laundering law.

STATEMENT OF EXPLANATION

BELIZE

Belize's geographical location south of Mexico's Yucatan peninsula makes it an ideal drug transshipment point for U.S.-bound cocaine shipments. The country's long, unprotected coastline, large tracts of rain forest, many inland waterways, and large unpopulated areas make Belize an inviting feeder site for moving drugs into the Mexican trafficking routes that carry the bulk of South American cocaine to U.S. markets. In earlier years, the British Defense Forces stationed in Belize were a partial deterrent to drug traffic, though cocaine transited the country even then. Their withdrawal in late 1994 cleared the way for new trafficking opportunities. In recent months, drug-related activity has stepped up in the form of involvement of Belizeans in Colombia cartel-related drug trafficking activity. For these reasons, Belize was added this year to the list of major drug transit countries.

The frequency of narcotics airdrops off Belize's coast and several important seizures are signs that trafficking organizations view it as a valuable transit point. For example, in a single operation in 1995, Belizean authorities seized more than half a ton (636 kilograms) of U.S.-bound cocaine and arrested two Colombians and a Belizean believed to be connected to the Cali cartel. In all of 1995, Belizean authorities seized a total of 840 kilograms of cocaine.

In 1995, and in response to the growing drug trafficking threat, the GOB formed a dedicated counternarcotics unit known as the Violent Crime/Counternarcotics Intelligence Unit. Its mission is to investigate and interdict drug offenders and dismantle criminal organizations. By upgrading law enforcement professionalism and material resources, the Belizean police and the Belize Defense Force (BDF) cooperated with USG counternarcotics objectives; however, interdiction efforts were compromised by failure to secure convictions in the country's courts. Although the GOB discourages spray eradication, it continues its effective manual eradication of marijuana and cooperates with USG aerial monitoring of illicit cultivation. Belize is party to the 1961 Single Convention and the 1972 Protocol thereto. Although it has not yet acceded to the 1988 UN Convention, the GOB has cooperated with the USG in efforts to meet the Convention's goals and objectives.

STATEMENT OF EXPLANATION

BOLIVIA

The government of President Gonzalo Sanchez de Lozada made substantial progress in 1995 toward meeting Bolivia's obligations under the 1988 UN Convention, and it met the objectives of its bilateral counternarcotics agreement with the U.S. Bolivia eradicated almost 5,500 hectares of coca and launched an unprecedented campaign to destroy newly planted coca and seedbeds. The GOB signed a new bilateral extradition treaty with the U.S. and extradited to the U.S. a former commander of Bolivia's anti-drug forces who was wanted in the U.S. on drug trafficking charges. The GOB also enacted a decree on asset seizure. Law enforcement forces dismantled several major trafficking organizations, one of which was responsible for a 4.1-metric-ton cocaine shipment seized in Peru in September. Bolivia has yet to criminalize money laundering, but the Minister of Justice pledged action at the December 1995 Summit of the Americas Ministerial Conference in Buenos Aires.

Bolivia is now the world's third largest producer of coca and cocaine, having been surpassed by Colombia in terms of coca cultivation. Coca growers have become more involved in the smuggling of precursor chemicals, and in processing cocaine products. Bolivian trafficking organizations are becoming increasingly independent of their Colombian counterparts, smuggling cocaine hydrochloride (HCl) to Brazil, Paraguay, Argentina or Chile en route to the U.S. and Europe.

The GOB reinvigorated its stalled compensated eradication program in the early spring. The Government, faced with stiff opposition to eradication, launched a public policy initiative designed to educate the populace about the shift of Chapare farmers into cocaine production and trafficking -- an effort that resulted in greater public support for anti-drug efforts. The Sanchez de Lozada Government also defeated an effort by opponents of the counternarcotics program to weaken Bolivia's omnibus anti-drug statute, while at the same time pressing for reforms that will address procedural and constitutional concerns raised by human rights advocates. In response to charges of drug-related corruption, the GOB is investigating a former Bolivian president and has launched several major investigations which resulted in the firing or arrests of law enforcement and government officials.

Despite the GOB's successful eradication program, substantial new cultivation was detected in both the Chapare and the Yungas regions, highlighting the challenge that Bolivia will confront in 1996. The 1996 eradication program was launched in January, and we anticipate that the GOB, through a sustained effort, will exceed its 1995 accomplishments. Bolivia's 1995 campaign to destroy new coca and seedbeds, if continued, provides a solid foundation for efforts to substantially reduce overall cultivation.

STATEMENT OF EXPLANATION

BRAZIL

President Fernando Henrique Cardoso's administration demonstrated support for counternarcotics efforts during its first year in office. Brazil has cooperated fully with the USG and made commendable efforts to meet the goals and objectives of the 1988 UN Convention. The government is drafting key money laundering legislation, but Brazil generally lacks adequate narcotics legislation that would bring it more fully into compliance with the 1988 UN Convention. The Brazilian congress has been considering such implementing legislation since 1991.

Brazil has largely accomplished the goals and objectives of bilateral CN agreements enforcement and demand reduction. The government passed comprehensive legislation on regulation of chemicals and organized crime. Demonstrating strong interest in bolstering parts of its anti-drug and crime laws, Brazil invited two USG teams to advise on the drafting of legislation to improve the ability of prosecutors to dismantle international drug trafficking organizations. In pursuit of fulfilling its bilateral narcotics agreements with the USG, Brazil increased its participation in international counternarcotics investigations and operations.

On another front, elements of the armed forces provided logistical support to a number of counternarcotics operations, demonstrating the Brazilian government's awareness of the need to control narcotics trafficking on its border with Peru, Bolivia and Colombia and in the interior. The government is persevering in its efforts to implement the Amazon Surveillance System (SIVAM), an important radar project to identify and detect, among other things, illicit narcotics trafficking activity.

Brazil lacked adequate funding for its federal police for many years, but recently invested in training for the force. For the first time in eight years, the Brazilian government graduated a class of police from its police academy (60 individuals). Law enforcement agencies destroyed two cocaine refining labs, indicating that traffickers have begun to move production operations into Brazil. Police seized 5.7 MT of cocaine in 1995. Corruption remains a problem in the state and local police forces.

The Brazilian Government participated in preparations for the Ministerial Money Laundering Conference held in Argentina in December. However, tight bank secrecy and the lack of an effective money laundering law have increased the country's attractiveness to money launderers.

The Government should seek to gain high level political support for counternarcotics, invest more resources in its counternarcotics effort, develop a national drug strategy and complete passage of money laundering and implementing legislation to comply with the 1988 UN Convention.



STATEMENT OF EXPLANATION

BURMA

Burma remains the world's largest producer of opium and heroin. Burma lacks both the resources and commitment to undertake effective drug control and is likely to remain one of the world's major sources of drugs for many years to come. In 1995, opium cultivation and production rebounded after a slight decline due to poor weather in 1994. Opium poppy cultivation covered 154,000 hectares and yielded 2,340 metric tons of opium gum -- enough opium to produce 230 tons of heroin and satisfy the U.S. heroin market many times over. There were few signs of improvement in the government's counternarcotics performance during 1995. In early 1996, a two year offensive against the Shan United Army (SUA) of Khun Sa ended with the Burmese Army occupation of the SUA headquarters. The Burmese, however, have shown no willingness to use the opportunity brought about by their cease-fire with the SUA to bring Khun Sa to justice or to take effective action to suppress the heroin trade in the Shan state.

The drug trade in the Shan State continues virtually unchecked. Burmese authorities lack the resources, the ability or the will to take action against ethnic drug trafficking groups with whom they have negotiated cease-fires. Groups known to be involved in the heroin trade, such as the United Wa State Army and the Kokang militia, remain heavily armed and enjoy complete autonomy in their base areas. Although the Burmese government claims that these groups have committed themselves to drug control as part of their cease-fire agreements, the Burmese government has been either unwilling or unable to get these groups to reduce heroin trafficking or opium cultivation.

Money laundering in Burma is also a growing problem and the laundering of drug profits is thought by some analysts to have a wide-spread impact on the Burmese economy. An underdeveloped banking system and lack of enforcement against money laundering have created a business and investment environment conducive to the use of drug-related proceeds in legitimate commerce. The SLORC's business relationships with some of Burma's top narco-trafficking minority groups raise suspicion in the minds of some observers that senior Burmese officials are profiting from narcotics revenues. There is, however, no evidence that the government, on an institutional level or as a matter of policy, is involved in the drug trade. But there are persistent reports that lower level officials, particularly in the border regions, are involved in taking bribes in return for ignoring drug smuggling.

Burma is a party to the 1988 UN Convention, and has enacted appropriate enabling legislation in some areas. Because few resources are devoted to enforcing this legislation, these laws have not had a significant impact on the Burmese drug trade.

STATEMENT OF EXPLANATION

CAMBODIA

In the past year Cambodian authorities have acknowledged that there is a serious drug trafficking problem, including significant amounts of heroin transiting the country en route to the United States and other international markets. A comprehensive picture of trafficking activity in Cambodia is still not available, but increasing information about the drug trade indicates that heroin trafficking is a serious concern, especially in light of the high volume of drug trafficking in the region, the relative weakness of law enforcement institutions and the lack of an effective criminal justice system and anti-narcotics laws.

The Cambodians, wisely, began to organize specialized drug enforcement units in 1994. These units lack resources and training, but they have been actively attempting to control the drug trade. These units have been responsible for significant seizures and have shown a willingness to tackle hard cases. In August, Cambodian authorities seized 71 kilograms of heroin concealed in a speedboat. This was the largest seizure of heroin in Southeast Asia in 1995.

Drug-related corruption is a serious concern. There have been cases of heroin and marijuana smuggling that have involved elements of the military, the police and the customs service. Drug trafficking and corruption pose a significant challenge to the Cambodian government which has limited resources to meet such a challenge. There are widespread allegations that smugglers operate under the protection of powerful political or business figures. In response to these allegations, the First Prime Minister has invited anyone with information about corruption to come forward and promised guilty officials would be removed and prosecuted.

The Cambodian government has shown a willingness to take action on its own and to cooperate with the U.S. and others to stop the flow of drugs. A bilateral counternarcotics agreement was signed in 1995 that will provide funds for a drug identification laboratory and other enforcement support. Government leaders have assured U.S. authorities that they are committed to drug control. The Cambodian authorities have cooperated with UN and U.S. experts in drafting narcotics and money laundering legislation consistent with the goals of the 1988 UN Convention. The narcotics legislation, which awaits enactment, commits the government to becoming a party to the 1961 Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances, and the 1988 UN Convention. The specialized drug enforcement units have demonstrated their commitment by arrests and seizures, and by their willingness to tackle difficult cases.

The United States has supplied training to Cambodian drug enforcement units through both DEA and Customs. The Cambodian authorities have been willing to work closely with DEA, and a relationship has been formed between the Cambodian police and the DEA country office in Bangkok. The Cambodians are in the process of enacting legislation to control drug trafficking and money laundering and have sought international expertise and guidance in drafting such legislation. The U.S. has offered expert comments on the proposed legislation and is working to encourage its passage.

STATEMENT OF EXPLANATION

CHINA

China is one of the two principal transit routes for Southeast Asian heroin, smuggled to the United States and other overseas markets. Violent crime associated with drug trafficking and heroin addiction is a growing social problem. Large and growing financial flows, occurring in an increasingly market-oriented economy, provide significant potential for money laundering. While continuing a strong interdiction effort along Yunnan province's border with Burma, China mounted a strong push in 1995 to stem the growing domestic drug problem in Guangdong province. China has shown a strong commitment to domestic enforcement and demand reduction. China also works closely with the United Nations International Drug Control Program (UNDCP) in regional drug control efforts.

Chinese officials state that they would like to expand bilateral counternarcotics cooperation with the United States, but operational drug enforcement cooperation is limited. The United States and China do not have a bilateral counternarcotics agreement in place. The United States offers drug enforcement training to Chinese officials. The U.S. would like to see bilateral drug enforcement cooperation improve. In particular, the U.S. hopes for improvement in information sharing and timely responses to lead information on active investigations. We hope that China will allow DEA to establish a closer working relationship with Chinese drug enforcement units and will allow DEA to set up an office in Beijing. Although there are shortcomings in bilateral enforcement cooperation, the Chinese continue, on their own, to mount the most vigorous interdiction effort by any country in East Asia.

China is a party to the 1988 UN Convention. Its basic laws against drug trafficking are harsh. The death penalty is applied to cases involving more than 50 grams of heroin. Legislation to fulfill the goals of the Convention is lacking in some areas, but the Chinese authorities attempt to fill some of these gaps through administrative controls on activities such as money laundering and chemical diversion.

The PRC has taken a strong stand against official corruption, and has laws dealing specifically with government officials who are found guilty of the use, manufacture or delivery of narcotics. There is no evidence of high-level official corruption related to narcotics trafficking. There is corruption among lower level officials and it is punished when detected. In 1994, Yunnan province executed several officials for accepting bribes to permit drug trafficking.

China's status as a major chemical producer and exporter also makes it a target for criminals seeking to illegally procure chemical precursors. Money laundering is also clearly easier in a booming economy, increasingly guided by market forces. The Chinese government has shown a willingness to work under multilateral mechanisms to control both chemical diversion and money laundering, but domestic mechanisms for detection and enforcement remain weak.

STATEMENT OF EXPLANATION

COLOMBIA

In 1995, Colombia remained the world's leading producer and distributor of cocaine and a major supplier of heroin and marijuana. The cultivation of illicit coca continued to increase and in 1995 Colombia became, despite eradication efforts, the world's second largest producer of coca, surpassing Bolivia. Colombian narcotics trafficking organizations, among the most powerful and ruthless criminal enterprises in the world, continue to dominate the international cocaine trade. Colombia was given a vital national interests certification in 1994.

During 1995, the Samper Administration lacked commitment to support the efforts of Colombian law enforcement entities and to strengthen the nation's institutions to combat the destructive effects of narcotics traffickers. In spite of this lack of political will, law enforcement efforts yielded a number of positive results, including the capture or surrender of six of the seven top echelon members of the Cali syndicate; the passage of a money laundering law, albeit weak; the denial of the use of San Andres Island as a way station for drug shipments; and the pursuit, by the Colombian National Police (CNP), of an ambitious crop eradication campaign using equipment, materials and training provided by the United States.

The Government of Colombia (GOC), however, failed to make progress in other key areas. The Cali leadership continues to manage its criminal empire from prison, and the security of the Colombian prison system remains woefully inadequate. One of the Cali kingpins escaped from a maximum security prison in January 1996, aided by corrupt prison officials. At the political level, the Colombian government failed to pass legislation to increase the penalties for drug trafficking. It did not strengthen asset seizure and forfeiture laws and took no legislative steps to further safeguard the confidentiality of investigative information provided by the United States in order to protect the lives of witnesses and the integrity of the evidence. Moreover, the GOC failed to enter into a bilateral maritime counternarcotics agreement with the United States in 1995.

Colombian law enforcement efforts, and those of the judicial sector, were significantly undercut by the corrosive impact of drug-related corruption. Corruption remains pervasive despite the efforts of some dedicated Colombians to root it out. The CNP commander fired thousands of corrupt police personnel and the Prosecutor General took steps to identify and eliminate corrupt activities within his organization as well as throughout the government. The positive impact of these actions, however, was undermined by members of the Samper Administration, who publicly attacked the Prosecutor General and thwarted their own stated drug control policy.

Under these conditions, Colombia cannot be certified as cooperating fully with the United States as agreed to in bilateral counternarcotics agreements, or as having taken adequate steps on its own to achieve full compliance with the goals and objectives established by the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

STATEMENT OF EXPLANATION

DOMINICAN REPUBLIC

Law enforcement cooperation between the Dominican Republic and the U.S. has been excellent. In 1995, the counternarcotics programs of the Government of the Dominican Republic (GODR) resulted in cocaine seizures of over 3.6 metric tons, a record and a significant increase over previous years. Traffickers are attracted to the Dominican Republic's proximity to Puerto Rico, the southern-most port of entry to the U.S.

The National Drug Control Directorate (DNCD), the country's principal counternarcotics organization, fully cooperated with USG agencies on information-sharing, joint operations, and special investigations targetting international drug trafficking networks. Also in 1995, the GODR criminalized money laundering and provided for the seizure of assets in criminal cases, including drug offenses. Although this new law is comprehensive, there is some question whether it can be implemented given the country's large, unexplained money flows, unsupervised exchange houses, and burdensome tax system.

The GODR budgeted \$3.7 million to its counter-drug program, most of which was used by DNCD counterdrug operations. The Dominican air force and navy also contributed to the effort, although their roles were relatively restricted because of limited resources.

In the Dominican Republic, corruption is endemic, particularly in the judiciary. As a result, alleged drug offenders are rarely prosecuted aggressively, and convicted narcotraffickers are sometimes released from jail before serving out their sentences. Long court delays and low government salaries contribute to the problem. Recently, however, there has been evidence of increased Dominican efforts to address weaknesses. For example, an Attorney General was replaced shortly after he ordered the premature release of two convicted traffickers.

The Dominican Republic must continue to reinforce both legal and enforcement mechanisms needed to eliminate corruption and break up trafficking networks.



STATEMENT OF EXPLANATION

ECUADOR

The Government of Ecuador (GOE) cooperated fully with the USG and made progress in 1995 in meeting the goals and objectives of the 1988 U.N. Convention. The GOE dismantled four narcotics trafficking organizations, including the Edgar Sisa group, tied to the Cali narcotics syndicate. The GOE continued to carry out a major drug kingpin's prosecution and made the largest cocaine seizure in Ecuadorian history.

An asset sharing agreement with the USG, signed in 1994, allowed Ecuador to receive USD \$3.75 million, which the government has pledged to use for the purchase of vehicles for a key counternarcotics force and to fund a counternarcotics database in Guayaquil. This pledge by the GOE indicates its firm resolve to reduce international narcotics trafficking. The shared assets originate from the dismantling in earlier years of the Jorge Hugo Reyes Torres Organization, also tied to the Cali narcotics syndicate.

Ecuador has enacted laws to implement the 1988 UN Convention. Ecuadorian judicial authorities prosecuted and convicted Reyes Torres in 1995 on charges of illegal possession of weapons and communications equipment. The court system is continuing to investigate narcotics trafficking and murder charges against him. In fulfillment of the goals of its bilateral narcotics agreements with the USG, Ecuadorian law enforcement authorities are attempting to identify money laundering enforcement problems and to develop controls on precursor and essential chemicals.

Last March, authorities made a 3.1 mt seizure of cocaine, the largest drug seizure in Ecuadorian history. In total during 1995, Ecuadorian police seized 4.25 mt of cocaine and .05 mt of heroin. Police arrested 2,260 individuals on narcotics charges. With USG assistance, the Ecuador National Police will continue to refine its interdiction techniques and comply more fully with the bilateral narcotics agreement. Ecuador should strive to seize more of the estimated 30-50 mt of cocaine per year that trafficking organizations ship through Ecuador to the U.S. and Europe.

Despite intense police-military rivalry, the government has demonstrated strong interest in jointly addressing the problem of drug trafficking overflights in the eastern corridor of Ecuador. Ecuador has demonstrated interest in participating in detection and monitoring efforts to identify narcotics trafficking aircraft in its eastern region using its own radar at Napo Galeras.

Improved police-military cooperation, better enforcement of suspicious transaction reporting requirements, increased drug seizures, more efforts to address official corruption, and resolution of the Reyes Torres case are key benchmarks for improved counternarcotics performance in Ecuador.

STATEMENT OF EXPLANATION

GUATEMALA

Guatemala continues to cooperate with U.S. counternarcotics goals and objectives. With USG support, the Department of Anti-Narcotics Operations (DOAN) carried out narcotics investigations, interdiction operations, and successful opium poppy and marijuana eradication campaigns. The Government of Guatemala (GOG) began the process of institutionalizing its counternarcotics agencies, primarily the DOAN and the special narcotics prosecutors. Compensation for the DOAN and all other police units was increased, and two levels of risk bonuses were added.

USG/GOG air interdiction programs continue to deter traffickers from using Guatemala as a transshipment platform. Cocaine seizure statistics indicate a decrease in the level of air trafficking; however, late in the year there was an apparent return to air smuggling activity. Trafficking by air, sea, and land is facilitated by Guatemalan criminal organizations with ties to Mexican and Colombian narcotraffickers.

In 1995, Guatemala's attention was focused on fiscal issues, election-year politics, and the peace process to end the country's 35-year civil war. As a result, although the out-going government cooperated with counternarcotics operations, it has left the new administration with unresolved, long-term narcotics-related issues and an environment of public concern about violence and criminality. Counter-drug programs are not well coordinated at upper policy levels. The inter-ministerial coordinating committee established by the 1992 narcotics law is not effective. No progress was made in developing a national counternarcotics master plan. The Congress, swept up by election year political maneuvering, took only limited action on law enforcement initiatives. The GOG was unable to provide additional resources to build its counternarcotics capability, and it has yet to specifically recognize the DOAN's skills and the risks it faces.

We have no proof that senior GOG officials engage in, encourage, or facilitate the production or distribution of illicit narcotics or laundering of drug money. Corruption in the courts, however, is a major problem that the judicial branch is only beginning to tackle with the support of various USG-backed initiatives. The supreme court has yet to establish special narcotics courts to help control corruption as outlined by Guatemala's 1992 narcotics law.

STATEMENT OF EXPLANATION

HAITI

In 1995, Haiti became a party to the 1988 UN Convention and signed agreements with the USG to establish the Haitian National Police (HNP) and a coast guard. The Government of Haiti (GOH) participated in money laundering conferences and began drafting money laundering legislation. Recognizing the importance of maritime law enforcement, including counternarcotics operations, the GOH requested \$1.1 million in U.S. military assistance to start a 40-person coast guard.

The staggering array of issues confronting the GOH severely impeded its efforts to translate its assurances into action on narcotics. The government showed the will to cooperate, but its lack of institutional experience undermined its effectiveness. An example is the case of the "La Familia," a Haitian-flag vessel on which the U.S. Coast Guard discovered 840 kg of cocaine. GOH unfamiliarity with the procedures governing such actions led to needless indecision and delay, although eventually the GOH permitted U.S. authorities to assume jurisdiction over the vessel.

Cocaine seizures by GOH authorities exceeded 550 kg, most of them at the airport in small amounts concealed on passengers attempting to board aircraft. The largest seizure was 284 kg of cocaine seized by the HNP from a vessel in the port of Port au Prince in December. These seizures are significant in that they occurred even though GOH attention was focused on making the transition to civilian-led law enforcement. Joint operations with the DEA were difficult given the undetermined future of the Haiti's only functioning counterdrug unit, the Combined Information and Coordination Center (CICC), a hold-over from the de facto regime. Without the foundation of a fully deployed HNP, at the end of the year a proposed anti-drug squad, a coast guard and other special law enforcement units existed only on paper.

By providing refresher training and mentoring, the GOH and the international community attempted to strengthen the country's judicial system, which remains plagued by scarce resources, incompetence, corruption and impunity. In 1995, Prime Minister Werleigh announced an anti-corruption campaign as part of her basic program; however, as a practical matter, the government's capacity to enforce an effective anti-corruption campaign remained weak.

The USG has made a strong commitment to establish stable democratic institutions in Haiti. Dismantling drug trafficking operations in Haiti remains a priority issue for the USG, and is an integral part of the rebuilding process. Although the GOH demonstrated an intent to address the drug trafficking problem within its borders, GOH energies were largely absorbed with the task of establishing a new police force and, as a result, were kept from taking significant action in counternarcotics.

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STATEMENT OF EXPLANATION

HONG KONG

Hong Kong criminal elements finance and arrange shipment of narcotics from Southeast Asia to the United States and other markets. There is little evidence that refining or manufacturing of illicit drugs takes place in the territory. Hong Kong's role as a transit point for illicit drugs has diminished somewhat as transit routes in East and Southeast Asia have diversified. Hong Kong remains one of the leading money laundering bases in Asia.

In 1995, the Hong Kong Government strengthened counternarcotics-related legislation through amendments to the territory's Organized and Serious Crimes Ordinance and Drug Trafficking Recovery of Proceeds Ordinance. Building on efforts undertaken in 1995, by January 1996 the Hong Kong Government began implementing the chemical control ordinance, which broadens the list of precursor chemicals subject to controls. Although not a signatory, Hong Kong continues its vigorous and generally effective efforts to meet the goals and objectives of the 1988 UN Convention. Hong Kong authorities plan to ask the United Kingdom to extend the Convention to Hong Kong once all enabling legislation is in place. Beijing has agreed to allow the 1988 UN Convention to apply to Hong Kong after China's resumption of sovereignty on July 1, 1997. Hong Kong has strong and efficient laws to combat corruption and the authorities have a reputation for honest, efficient government. There are no indications narcotics-related corruption is a concern. Cooperation between the United States and Hong Kong on matters relating to drug trafficking and money laundering has been excellent.

STATEMENT OF EXPLANATION

INDIA

India is an important producer both of licit and illicit narcotics and a crossroads for international narcotics trafficking. It is the only producer of licit gum opium. Some opium is diverted from the country's legal production, and there is illegal poppy cultivation. India's location between the two main sources of illicitly grown opium, the Golden Triangle (Southeast Asia) and the Golden Crescent (Southwest Asia) regions, and a well-developed transportation infrastructure make India a significant transit nexus.

As a licit producer of opium, India must meet an additional certification requirement. In accordance with Section 490(c) of the Foreign Assistance Act, it must maintain licit production and stockpiles at levels no higher than those consistent with licit market demand and take adequate steps to prevent significant diversion of its licit cultivation and production into illicit markets and to prevent illicit cultivation and production.

India has taken a number of important steps to curtail the diversion of licit opium, which remains a concern. Steps taken in 1995 include: raising the minimum qualifying yield (MQY) for relicensing to cultivate opium poppy from 43 to 46 kilograms per hectare; delicensing 26,739 cultivators for failing to meet the MQY; reducing the area under licit cultivation in Uttar Pradesh, a state where there is believed to be considerable diversion, to only 200 hectares; deploying paramilitary troops during lancing operations to prevent diversion of licit opium; offering rewards to persons giving accurate information about excess cultivation; and taking further steps to reduce loss from the factories, such as using plastic instead of wooden drying trays, purchasing more efficient drying equipment, and installing state-of-the-art security systems.

The Government of India (GOI) has not agreed to U.S. requests to undertake jointly a comprehensive opium yield survey to verify data on crop yields, establish practicable levels of MQY, and better quantify diversion. In November 1995, U.S. scientists met with Indian counterparts to discuss avenues of cooperation on yield studies and share data on past crop surveys. The Indians agreed to incorporate some of the parameters requested by the U.S. scientists in their experiments, but did not invite the U.S. side to collaborate or observe any of their field work.

Indian opium gum, the principal source of thebaine and other alkaloids essential to certain pharmaceuticals, is in demand from U.S. and other pharmaceutical firms. After a significant shortfall in meeting commitments to purchasers in 1994, India increased opium production to an estimated 800 mt

of opium in 1995, up from 415 mt in 1994, (all measures at ten percent moisture), by greatly expanding cultivation and slightly higher yields per hectare. Production in 1995 still did not meet demand from pharmaceutical firms.

India has illicit opium poppy cultivation, primarily in areas such as Jammu and Kashmir, where GOI control is challenged by insurgent groups. USG remote sensing in 1995 indicated illicit cultivation on 4,750 hectares, with a theoretical yield of 71 metric tons of opium, a decrease from the previous year's estimate. However, prompt GOI efforts to verify this cultivation found only small areas of poppy cultivation. In 1995, the GOI established a preventive and intelligence cell in the Uttarkashi area, near Jammu and Kashmir, to detect and destroy illicit poppy cultivation.

The GOI has made significant progress in controlling the production and export of precursor chemicals. Trafficking in illegally produced methaqualone (mandrax), a popular drug in Africa, is still a major problem. The GOI has a cooperative relationship with the DEA, especially on precursor chemical issues.

Authorities have had limited success in prosecuting major narcotics offenders because of the lack of enforcement funding and weaknesses in the investigations infrastructure.

The USG receives reports of narcotics-linked corruption, but cannot independently verify the extent. No senior-level politician or bureaucrat has been accused of narcotics-related corruption.

India is party to the 1988 UN Convention, but has not yet enacted supporting legislation on asset seizures or money laundering; this leaves its law enforcement agencies without the tools to achieve fully the Convention's goals and activities.

India fulfilled the requirement of FAA Section 490(c) to maintain licit production and stockpiles at levels no higher than consistent with market demand. It also continued to take steps to reduce diversion from the licit crop, although not agreeing to use an internationally observed crop yield survey as the basis for setting the minimum qualifying yield for license renewal. The GOI, upon receipt of information on suspected illicit crops, acted promptly to seek out and destroy the plots. For 1995, India's efforts meet the additional certification requirements of FAA Section 490(c). In 1996, areas of outstanding concern will be taking effective action against major narcotics trafficking syndicates and kingpins; implementing effective measures on money laundering and asset seizure; taking adequate steps on crop yield survey design and observation; and eradicating illicit poppy cultivation.

STATEMENT OF EXPLANATION

IRAN

Iranian farmers also cultivate illicit opium poppies in remote provinces. The most recent USG estimate judged that between 35 and 70 metric tons of opium were produced on 3,500 hectares. Iran continues to be a major transshipment point for opiates, primarily morphine base and opium, shipped from Afghanistan and Pakistan en route to Turkey.

The Government of Iran (GOI) ratified the 1988 UN Convention, but the USG is unaware of the passage of implementing legislation to bring the country into compliance with the requirements of the Convention. According to reporting from third countries, it has undertaken at least some activities in support of the goals and objectives of the Convention. The U.S. cannot accurately evaluate the measures undertaken by Iran as we do not have diplomatic relations. The U.S. and Iran do not have a bilateral counternarcotics agreement. Iran has signed counternarcotics agreements with several countries.

The GOI is participating with the United Nations Drug Control Program (UNDCP) and Pakistan in a tripartite agreement that aims to reduce trafficking between the Pakistani and Iranian provinces of Baluchistan. In almost daily radio reports, the GOI supports its claims of notable success by announcing major seizures and arrest, seizing a greater quantity of narcotics than any other heroin producing or transit country. The USG does not have 1995 claims broken out by type of narcotic. Many of the individuals arrested are later executed according to the radio announcements. The USG cannot verify these claims nor accusations by human rights groups that the GOI uses an accusation of trafficking as a means to eliminate dissidents. UNDCP does agree that Iran is an active participant in the tripartite agreement. However, the level of narcotics arriving in Turkey, the recipient state, seems to be increasing rather than diminishing.

Reports continue that, despite expensive efforts to fortify the border with Pakistan to prevent trafficking caravans passing through, border guards can be bribed to permit passage. The USG believes drug-related corruption continues to be a serious problem among Iran's law enforcement and security services. We do not know the extent to which Iran enforces its prominently advertised campaign to prevent and punish corruption by public servants.

STATEMENT OF EXPLANATION

JAMAICA

Cocaine seized in Jamaica during 1995 was triple that seized in 1994, both reconfirming Jamaica's status as a significant cocaine transit country and indicating positive developments in law enforcement effectiveness. Jamaica remains an important marijuana producer with harvestable cultivation approximately the same in 1995 as in 1994. Neither money laundering nor production or movement of essential and precursor chemicals appears to be significant in Jamaica.

During 1995 the Government of Jamaica (GOJ) passed a mutual legal assistance treaty (MLAT) enabling act and completed all internal procedures to enable ratification of the U.S.-Jamaica MLAT. The GOJ also presented to parliament a money laundering bill, which parliament is now considering, and drafted a precursor chemical control bill. Finally, in December 1995, the GOJ acceded to the 1988 UN Convention, making Jamaica the last major country in the Western Hemisphere to become a party to the Convention. During 1995, the GOJ undertook actions to meet the objectives of the 1988 UN Convention and the U.S.-Jamaican bilateral counternarcotics agreement. With U.S. assistance, the GOJ eradicated about the same number of hectares of cannabis as the previous year. However, the GOJ seized triple the amount of cocaine as in 1994 and a large amount of cured marijuana. According to DEA, Jamaican counternarcotics activities and law enforcement cooperation are at the highest levels in five years. In 1995, Jamaica remained a highly active partner with the U.S. in both deportations and extraditions. The GOJ began negotiations with the USG on a maritime counternarcotics cooperation agreement. Jamaica's National Council on Drug Abuse intensified its demand reduction efforts.

The GOJ needs to complete its counterdrug legislation and, most importantly, to implement it fully. The GOJ passed an asset forfeiture act in 1994 but has yet to prosecute an asset forfeiture case. Although Jamaica's drug arrest record is good, the lack of prompt prosecution and conviction indicates a need for improvement of its judicial system. With U.S. assistance, the GOJ is procuring a tamper-resistant passport system, which should help reduce the number of Jamaicans successfully entering the U.S. with fraudulent documents. The GOJ also needs to take actions to counteract drug smuggling in export shipments, a problem that undermines Jamaica's legitimate economic activity. Successful conclusion of ongoing negotiations on a U.S.-Jamaica maritime counternarcotics cooperation agreement will help control trafficking through Jamaican waters. Drug-related corruption continues to hamper GOJ drug control efforts, in recognition of which the police commissioner organized an internal oversight and investigatory arm, a positive action to rid the police of corruption and politics and a good step in addressing a problem of concern to the USG.



STATEMENT OF EXPLANATION

LAOS

Laos is third among the world's producers of illicit opium, but production is far lower than in Burma and Afghanistan, the two leading opium producing countries. Laos is the only major producing country in which opium production has followed an overall downward trend in the last six years. Production in 1995, however, rose significantly over 1994 levels due to the end of drought conditions.

Opium cultivation and production in Laos both increased in 1995. Due to drought, 1994 production had fallen to 85 metric tons. In 1995, production rebounded to 180 metric tons, approximately equal to production in 1993. The total area under cultivation, however, rose only slightly from 18,520 hectares in 1994 to 19,650 hectares in 1995. Most of the opium grown in Laos is thought to be consumed domestically. Although the government strongly discourages the cultivation of opium, it has not banned it entirely because of concerns about social stability in the countryside, and the lack of economic alternatives for the ethnic minority groups, who would be most affected by a ban.

During 1995, the Lao government continued its efforts to expand its anti-narcotics programs by aggressively seeking both bilateral and multilateral donor support for programs identified in the Lao anti-narcotics action plan, which was developed with UNDCP assistance and published in 1994. The goals of the plan include enacting drug legislation in compliance with requirements of the 1971 and 1988 UN Conventions, thereby allowing Laos to become a party to those agreements; further reduction of opium production; improvement of drug enforcement; and reduction of addiction. Achievement of these goals will require significant assistance from international donors but response has so far been limited. Laos has a strong public commitment to the goals of the 1988 convention embodied in its drug control program, but movement toward adoption of enabling legislation has been slow. Corruption is assumed to exist among lower level officials. There is no evidence indicating high-level or systematic drug-related corruption on the part of Lao government officials. There are periodic reports in the local media of trials and convictions of government officials charged with corruption, though all recent cases were for non-drug-related offenses.

The Lao Special Counternarcotics Unit, which was formed as a result of the 1992 bilateral USG-Lao Law Enforcement Project Agreement, is beginning to mature and actively pursue drug cases. Opium seizures rose from 54 kilograms in 1994 to 194 kilograms in 1995. 42 kilograms of heroin were seized, down from 62 kilograms in 1994. Lao Customs has continued to work effectively with the Special Unit and their joint

efforts resulted in significant seizures of drugs during 1995. Specialized drug enforcement units are now being formed in the provinces. These units should expand the scope of operations and overall effectiveness of drug enforcement efforts.

The Government of Laos has continued to give U.S. officials high-level assurance of its commitment to drug control. The Lao authorities have been cooperative with both bilateral and multilateral counternarcotics projects. The relationship between DEA and the Lao drug enforcement authorities has become broader in the past two years. The government is considering passing stricter laws to discourage drug trafficking.

VITAL NATIONAL INTERESTS JUSTIFICATION

LEBANON

Lebanon continued to be an important hub for narcotics production and trafficking in 1995. While illicit crop cultivation in Lebanon significantly diminished due to strict enforcement and continued eradication efforts by joint Lebanese-Syrian authorities, Lebanon did not successfully reduce the amount of narcotics imported into the country for the purposes of conversion and re-export. It remains vulnerable to money laundering operations and is plagued by official narcotics-related corruption. Nevertheless, the Government of Lebanon (GOL) made significant advances in 1995 including the arrest in July of a major narcotics and arms trafficker. The eradication program in the Baalbeck-Hermel region has been largely successful. There has been a marked shift in GOL focus during the year toward arrests of more significant traffickers and the dismantling of drug networks. The GOL is in the process of acceding to the 1988 UN Convention but has yet to deposit its instrument of accession with the UN.

In 1995, Lebanese counternarcotics law enforcement authorities made steady and measurable progress. In mid-year, Lebanese authorities located and eradicated a large opium field in the Baalbeck region. The Internal Security Force (ISF) made significant arrests and seized large quantities of narcotics and chemical precursors. Counternarcotics authorities also raided processing labs in the Bekaa Valley region, and dismantled extensive trafficking rings. Lebanese authorities moved to initiate a comprehensive chemical control program to address internal control of chemical precursors.

However, Lebanon remains an opportune locale for narcotics processing and transshipment. Further exacerbating the already difficult enforcement efforts with regard to the narcotics processing labs is the fact that these facilities are largely in Hizballah territory where the GOL does not fully exercise authority or control. Opium from Southwest Asia, imported for conversion into heroin, and cocaine from South America transit Lebanon for onward shipment to Europe and the United States. Current bank secrecy laws greatly inhibit law enforcement investigation of money laundering and concomitant official corruption.

The continued eradication of illicit crops, heroin lab raids, network dismantling, and major trafficker arrests signal the priority the GOL has placed on the problem. The USG continues to be guardedly optimistic on the future.

The threat posed to the United States by drug trafficking and processing in Lebanon remains real. Lebanon's continued inability to address adequately the narcotics threat or to cooperate fully with the United States reflects, in part, both institutional weakness and regional political realities. However, the stability, peace, and economic development of Lebanon are important to the overall stability of the Middle East region. The United States' vital national interests in continuing assistance to Lebanon, in recognizing Lebanon's sustained improvement in eradication performance, and in furthering regional stability continue to outweigh the threat posed by drug trafficking through Lebanon to the United States.

STATEMENT OF EXPLANATION

MALAYSIA

Malaysia continues to be a major transit country for heroin. Domestic drug consumption and trafficking also remain serious problems. The Government of Malaysia (GOM) took several initiatives to improve its counternarcotics efforts. In order to enhance coordination of counternarcotics activities, the GOM Transferred authority for the Anti-Narcotics Task Force from the National Security Council to the Home Affairs Ministry, which also oversees the Royal Malaysian Police. The government plans to merge the task force with the narcotics division of the police and the GOM's anti-smuggling unit. The police reinforced its efforts to reduce the addict population by targeting and "cleaning up" areas of prominent drug trafficking and use. As result, thousands of addicts were placed in rehabilitation centers.

Highlighted by the signing of a new extradition treaty in August, the U.S. and Malaysia continued strong counternarcotics cooperation. Law enforcement and demand reduction training programs again played a prominent role in bilateral counternarcotics efforts. A bilateral agreement offering a small amount of assistance for demand reduction continues to be successfully implemented. After a long gap, the Drug Enforcement Administration's office in Kuala Lumpur is participating actively in joint counternarcotics activities. The cooperation has already resulted in significant prosecutions in both the U.S. and Malaysia.

The Government of Malaysia has a serious, long-standing commitment to drug control and has worked very closely with the U.S. in efforts to combat drug trafficking in Southeast Asia. Malaysia has strict laws against drug trafficking that are stringently enforced. Malaysia is a party to the 1988 UN Convention but could take additional steps toward meeting the goals and objectives of the convention in such areas as conspiracy law and money laundering. Vulnerability to money laundering activity is a concern of the Malaysian government. The government has not yet adopted legislation to combat money laundering, but continues to work closely with the Financial Action Task Force and its Asian Secretariat.

STATEMENT OF EXPLANATION

MEXICO

Mexico has long been both a major producer of and transit country for illicit drugs entering the United States. Entering office in December 1994, President Ernesto Zedillo declared drug trafficking the principal threat to Mexico's national security and promised a major offensive against the drug cartels and narcotics-related corruption. He and Mexican Attorney General Antonio Lozano recognized that Mexico's law enforcement efforts were being seriously undercut by narco-corruption and intimidation and by the high-tech capabilities of the trafficking organizations. They intensified the counternarcotics effort, prosecuted corrupt officials, and sought to expand cooperation with the U.S. and other governments.

But new trends are a cause for concern. Mexican traffickers who previously assisted their Colombian counterparts to move cocaine shipments through Mexico (up to 70 percent of U.S.-bound loads) are now purchasing multi-ton quantities of cocaine directly from producers for distribution through their own expanding U.S. networks. They also dominate the growing methamphetamine trade in the United States. International criminal organizations increasingly look to Mexico's large, and largely-unregulated, financial sector as a venue for laundering vast sums of money from their illegal activities. Corruption is a serious problem in Mexico and remains one of President Zedillo's major challenges.

In 1995, the Zedillo Administration achieved some encouraging results by laying the legal and administrative foundation for administration of justice reform and increased public sector accountability and integrity. Late in the year, it submitted draft legislation to the Mexican Congress that, if enacted, would, inter alia, criminalize money laundering, establish controls on chemical diversion and authorize the use of modern investigative techniques needed to combat sophisticated organized crime. The Attorney General's Office had some success against drug kingpins and their organizations. Federal police concentrated action against the Gulf Cartel of Juan Garcia Abrego, arresting 11 key members of the organization. This effort culminated in the January 1996 arrest of Garcia Abrego. At the USG's request, the GOM expelled Garcia Abrego (a U.S. citizen on the FBI's "Ten Most Wanted" list) to the United States to face extensive drug and money laundering charges.

One of President Zedillo's most significant changes to the Mexican national anti-drug effort was the expansion of the role of the Mexican military. The Mexican Air Force added its radar and air assets to the air interdiction program to counter the trend toward trafficker use of cargo jets. Mexican Army officers were put in charge of anti-drug operations in the state of Chihuahua, where corruption among police had seriously undermined the government's efforts. Army officers also directed the arrest of a major trafficker, Hector Palma Salazar, in the state of Guerrero.

Drug seizures were on a par with or above 1994 levels, and illicit drug crop eradication increased measurably. Through intensified eradication, marijuana production was reduced from 5,540 metric tons in 1994 to 3,650 metric tons in 1995; likewise, opium gum production was reduced from 60 metric tons to 53 metric tons (5.3 metric tons of heroin).

The financial crisis caused by the devaluation of the peso in December 1994 severely restricted GOM resources for anti-drug programs. In addition, the Mexican Attorney General's Office focused on the ongoing investigations of the 1994 assassinations of presidential candidate Luis Donaldo Colosio and ruling party official Jose Francisco Ruiz Massieu, and on corollary corruption investigations. A key development was the arrest of Raul Salinas, brother of former President Carlos Salinas and a senior official in the Salinas Administration; Mexican investigators are now pursuing drug-related charges as well. Numerous corruption investigations led to charges against other current or former officials; nineteen federal police officers were recently arrested for complicity in a multi-ton cocaine shipment in Baja California.

Cooperation between the United States and Mexico on drug law enforcement improved in 1995. The two governments signed a Financial Information Exchange Agreement and an Asset Sharing Agreement to facilitate cooperation in combatting money laundering and other financial crimes. They continued active cooperation on the successful air interdiction program (Northern Border Response Force/Operation "Halcon") which also expanded its scope to include overland and maritime trafficking. This resulted in the interdiction of numerous multi-ton cocaine shipments, seizure of 18.5 mt of cocaine, and important arrests. Mexico also made progress in its multilateral efforts against drug trafficking. It worked with Belize and Guatemala in a trilateral anti-drug operation in September, followed by a region-wide surge operation encompassing Mexico and all of Central America in November. The USG provided training and technical advice to personnel of the Mexican Attorney General's Office, the National Institute to Combat Drugs, and the Mexican armed forces.

Even with positive results and good cooperation with the U.S. and other governments, Mexico has a number of major obstacles to overcome. The Zedillo Administration has set the stage for action against the major drug cartels in Mexico, and for more effective cooperation with the U.S. and other international partners, but it will need to equip its investigators and prosecutors with appropriate legal tools to combat modern organized crime and provide adequate material resources. It will need to pass and implement proposed legislation to establish controls on money laundering and chemical diversion. It must move forcefully to dismantle major drug trafficking organizations. Above all, it will have to take serious, system-wide action against endemic corruption.

STATEMENT OF EXPLANATION

NIGERIA

Nigeria, a major transit country for Asian heroin and Latin American cocaine destined for the United States and numerous other points around the world, also serves as the linchpin for West African narcotics trafficking organizations. Nigerian trafficking organizations are the leading carriers of Southeast Asian heroin and other hard drugs into the United States, accounting for nearly 40 percent of the heroin, and Nigerian heroin smuggling groups are among the largest in the world. In 1995, Nigerian traffickers and trafficking organizations continued to expand their operations throughout the world and further increased their cocaine trafficking operations from South America.

The Government of Nigeria (GON) made only marginal progress in 1995 to address counternarcotics matters. The GON announced a national drug strategy during 1995 but failed to provide sufficient funds to implement the plan by year's end. The Nigerian Drug Law Enforcement Agency (NDLEA) began in 1995 to address corruption in its own ranks; however, NDLEA'S ability to cooperate effectively with other Nigerian law enforcement authorities on counternarcotics operations was seriously impeded by pervasive corruption in those agencies.

Money laundering activities expanded in 1995 despite the announcement of a decree on money laundering and related financial crimes. The decree permitted several arrests but there were no convictions by year's end. A 1989 bilateral narcotics agreement with the United States was not effectively implemented. Pursuant to a USG request, NDLEA arrested and expelled two fugitives wanted in the United States for narcotics offenses. However, the GON ordered nine other fugitives arrested by NDLEA released in December after repeatedly blocking all USG extradition efforts. Despite increasing domestic drug abuse, Nigeria took no steps to reduce demand or to reduce cannabis production in 1995. The GON did, however, increase cannabis seizures and arrests of minor drug offenders.

While Nigeria made some efforts in 1995 to address critical drug trafficking problems involving Nigeria and Nigerians, its counternarcotics efforts remain insufficient in relation to the task at hand. Nigeria has again failed to cooperate fully with the USG, or to take adequate steps on its own, to meet the goals and objectives of the 1988 UN Convention.



VITAL NATIONAL INTERESTS JUSTIFICATION

PAKISTAN

Pakistan is an important producer of, as well as a major transit country for, opiates and cannabis destined for the international market. In the 1994-95 crop year, Pakistan produced about 155 metric tons of opium from about 6,950 hectares of poppy. Laboratories in the Northwest Frontier Province (NWFP) process Pakistani and Afghani opium into heroin for domestic and international consumption.

Pakistan made meaningful counternarcotics progress in 1995. Pakistani authorities arrested two major narcotics traffickers, Sialik Jan and Khawaja Majeed. Majeed was expelled to the United States and Sialik Jan is awaiting extradition. Three other individuals were extradited to the U.S. for trial on drug charges, including one drug kingpin. In addition, the Anti Narcotics Force (ANF) arrested and prosecuted a member of the Prime Minister's ruling party in the national assembly on drug charges. The government of the Northwest Frontier Province conducted a major raid against drug processing facilities in January. In early 1995, a major opium poppy eradication campaign was conducted, although some recidivism in areas previously poppy-free meant the overall decrease in cultivation was only three percent. The 1995-96 poppy enforcement plan significantly expands the area where opium production is banned in the NWFP and provides resources to enforce the ban. The ANF reports significant increases in amounts of narcotics and chemicals seized in 1995.

The Government of Pakistan (GOP) also continued to make progress on seizing the assets of known drug traffickers, such as Haji Ayub Afridi, and expanded to 21 the number of traffickers whose assets are currently frozen. The estimated value of the frozen assets is \$200 million.

Although progress was made, shortcomings remain. Pakistan has not yet converted its comprehensive drug ordinance, an executive decree promulgated in January 1995, into a law, although it has drafted legislation to do so. After more than a year of discussions with Indian authorities, no concrete anti-narcotics cooperation has been undertaken between the countries. Plans to expand the ANF with high-quality recruits have not yet been implemented, due to opposition by the government bureaucracy. Extradition from Pakistan to the United States of narcotics fugitives already in Pakistani custody has been delayed. Money laundering legislation has not been written.

The USG is unaware of any policy-making Pakistani official who engages in or facilitates the production or distribution of narcotics, but occasional accusations continue to surface that such officials have condoned trafficking. Sufficient legislation exists to control and punish public corruption, but these laws are seldom enforced. A member of the Prime Minister's party in the National Assembly and a member of the Punjab Provincial Assembly were arrested for trafficking in 1995.

Pakistan is a party to the 1988 UN Convention, which it ratified in October 1991, and is revising draft legislation in order to bring its laws into compliance with the Convention. The Narcotics Control Division completed a counternarcotics master plan for Pakistan, with the assistance of the UN Drug Control Program, that calls for elimination of opium production and a drug-free Pakistan by the year 2000.

A bilateral agreement with the United States supports law enforcement, crop substitution, and demand reduction activities. In 1995, Pakistan made some progress in meeting the goals of the bilateral agreement and the 1988 Convention. However, accomplishments slowed significantly in the second half of the year.

Vital U.S. national interests could be damaged if Pakistan were to be denied certification. Pakistan is a moderate Islamic state with a nuclear weapons capability. It has provided troops for UN peacekeeping operations, most recently in Bosnia, and has cooperated in the international fight against terrorists. The Government of Pakistan has also used its moderating influence with other Islamic countries. Decertification would be viewed in Pakistan as abandonment of a loyal ally and would endanger U.S./Pakistani dialogue on these vital issues. It could also undermine Pakistan's ongoing efforts to address the drug problem, including cooperation by Pakistani anti-narcotics forces with DEA and the Embassy narcotics affairs section.

The risk to these vital U.S. interests, and particularly our narcotics cooperation efforts, outweighs the potential gain from denying certification to Pakistan. Pakistan is the conduit for opium and morphine base from Afghanistan, the second largest opium producer in the world. If the surge of Afghan drugs is to be stemmed, we need more Pakistani cooperation. Morale in Pakistan's anti-narcotics organizations could be adversely affected by denial of certification.

Denial of certification would require the United States to vote against Pakistan in multilateral development banks. Access to such loans is vital to Pakistan and will help Pakistan achieve other U.S. goals such as energy self-sufficiency. During the period of national interests certification, the USG will strive to convince the GOP that true senior-level commitment is needed to achieve the varied goals of the UN Convention.

STATEMENT OF EXPLANATION

PANAMA

Panama is in compliance with 1988 UN Convention's objectives for money laundering, demand reduction, chemical control, crop eradication, and interdiction. In 1995, the Government of Panama (GOP) made major arrests and seizures, particularly those resulting from cooperative USG/GOP maritime operations. GOP officials also moved decisively against corruption in law enforcement ranks. A presidential decree in March 1995 formalized the position of "drug czar" and established a permanent presidential commission to oversee money laundering controls. In November, the GOP passed a new anti-money-laundering law, which mandated suspicious transaction reporting, "know your client" provisions, "whistle-blower" protection, and penalties for violations. The GOP also acknowledged severe domestic abuse problems and pursued prevention and education campaigns.

Among the GOP's most significant accomplishments were the November arrests of two major money laundering suspects in response to a U.S. extradition request. One of the pair, a third-country national, was expelled to the U.S. where he pled guilty to outstanding charges. The other suspect, a Panamanian national, was jailed in Panama pending possible extradition or prosecution. Earlier in the year, information developed by the Canadian government led the GOP to make several arrests of individuals accused of running money laundering operations in the Colon Free Zone (CFZ). At the close of the year, the accused money launderers were waiting prosecution, and there was little indication that the investigations or prosecutions would be expanded to other CFZ users, as initially promised.

GOP arrests of money launderers were certainly commendable, but because they resulted from investigations that were developed by the U.S. and Canada, these cases provide little indication of Panama's own ability to identify, investigate, and prosecute financial crime. These functions were to have been developed by the GOP's proposed anti-money laundering program, a program that by the end of 1995 existed largely on paper. Seven months after the GOP inaugurated its Financial Analysis Unit (FAU), it was still without a director and only a handful of employees had been hired. This lack of progress is particularly disconcerting because the FAU was to have been the keystone upon which the GOP's other money laundering controls were to have been built. The absence of vigorous implementation of the FAU has, therefore, retarded long overdue improvements in the CFZ, the National Banking Commission and in GOP ability to investigate and prosecute financial crimes.

VITAL NATIONAL INTERESTS JUSTIFICATION

PARAGUAY

Paraguay, a transit country for Bolivian and Colombian cocaine and a producer of marijuana, still is not fully cooperating or taking adequate steps on its own to meet the goals and objectives of the U.N. Convention. Although the GOP initiated legislative efforts and programs in 1995 designed to meet the objectives of its bilateral counternarcotics agreement with the U.S., Paraguay's concrete achievements were too limited. The USG remains concerned by inadequate steps to confront drug trafficking, corruption and money laundering. Vital national interests certification of Paraguay's 1995 counterdrug efforts takes into account these shortfalls, while recognizing that the USG's goal of promoting the growth of democracy in Paraguay, after five decades of dictatorial rule, relies heavily on our continued support to the development of institutions capable of countering the drug trafficking threat.

Multinational cocaine trafficking organizations transport cocaine through Paraguay to markets in Brazil, Argentina, the U.S. and Europe virtually unimpeded. Traffickers cultivate high-quality marijuana in northern Paraguay, chiefly for export to Brazil and Argentina. The weakly regulated financial sector is vulnerable to money laundering, and there are solid indications that such activity is occurring.

The GOP created an independent investigative unit in October which conducted one high-profile drug bust in December. The government also independently launched a campaign to destroy marijuana cultivation and illegal airstrips near the Brazilian border, and officials of the anti-narcotics executive secretariat (SENAD) met with counterparts in Brazil and Argentina to develop joint strategies for combatting this trade. The government initiated judicial reform efforts in March, appointing an independent supreme court. This reform process should, over time, enhance Paraguay's ability to confront drug trafficking and corruption.

The passage of effective money laundering legislation, concrete efforts to counter corruption, and a comprehensive drug strategy still remain on the agenda. The lower house of Paraguay's legislature passed a money laundering statute in late September that fell far short of the requirements set forth in the 1988 UN Convention. The bill was rejected by the Senate, which is developing a new proposal. Paraguay's banking association adopted a code of conduct and practices designed to prevent money laundering, but the code is not legally enforceable.

The GOP introduced a revised anti-narcotic law which, if approved, would authorize undercover operations and controlled deliveries. The GOP has not taken action to target major drug traffickers, however, nor has it taken new steps to address corruption. Unconfirmed reports of high-level corruption among military and government officials persist, but no investigation that might clarify these cases has been conducted. Several high- and mid-level GOP officials were removed from their positions in 1995 following allegations of corruption, but effective measures to prevent and punish public corruption are not yet in place.

The USG recognizes that President Wasmosy, as Paraguay's first democratically-elected civilian president in 50 years, is confronting an immense challenge as he works to consolidate democratic rule. A denial of certification could undermine the transition to democracy and weaken support for President Wasmosy's reform process. U.S. counternarcotics assistance is designed to aid this process by promoting the development of strong, independent, credible institutions capable of defeating drug trafficking and other organized criminal threats. Although Paraguay's counterdrug efforts fell short of full cooperation in 1995, the government improved on its 1994 record. It is in the vital national interests of the USG to ensure that the process of democratization continues unimpeded, and these interests outweigh the risk posed by less than full cooperation provided by the GOP in the counternarcotics arena.

## STATEMENT OF EXPLANATION

### PERU

Peru is committed to combatting narcotics trafficking and use and to reducing the production of coca, of which it is the world's largest producer. During 1995, its cooperation on counternarcotics with the U.S. was outstanding, particularly in aerial counternarcotics law enforcement operations. Culminating intense bilateral discussions during 1995, the GOP expanded its coca eradication program in February 1996.

The Government of Peru made significant progress during the year in dismantling Peruvian trafficking organizations and interrupting the aerial flow of narcotics money and drugs between Colombia and Peru. There were dramatic and unprecedented price drops for cocaine base during the year, because of the Peruvian Air Force intercept program to force down and seize narcotics trafficking aircraft. The arrest of members of the Lopez Parédes and Cachique Rivera trafficking organizations dismantled two major narcotics distribution networks, one of which was refining cocaine hydrochloride within Peru for Mexican trafficking organizations. Peruvian police and armed forces seized over 15 metric tons of cocaine base in 1995, and nearly 8 metric tons of refined cocaine hydrochloride.

The Peruvian National Drug Strategy calls for a 50 percent reduction in the total amount of coca under cultivation by the year 2000. However, the USG coca survey for 1995 estimated that coca cultivation in Peru expanded 6 percent. This increase reflected the spread of coca cultivation despite an aggressive coca seedbed eradication program by the GOP. In a welcome development, in February 1996 the GOP resumed -- for the first time since the USG was forced to suspend coca eradication because of violent opposition by growers in 1989 -- eradication of coca plants at a growth stage more advanced than seedlings. This expansion of the scope of eradication represents a key political statement by the GOP and resolves a central outstanding issue in USG-GOP narcotics cooperation. However, Peru must follow through effectively on this commitment in order to sustain its certification in the future.

In the latter half of 1995, there was anecdotal evidence of widespread abandonment of coca fields by farmers unable to find coca base buyers, due to the GOP effort to halt trafficking aircraft between Peru and Colombia. In April 1995, the USG began a \$44 million alternative development project with the GOP to move coca farmers into the licit Peruvian economy. The project agreement provided for verified coca reduction by communities receiving assistance.

In 1996, the GOP must make a stronger attempt to enlist other bilateral donors and multilateral development banks to support the alternative development aspects of the Peruvian National Drug Strategy, now that law enforcement and coca eradication efforts are making an impact on the trafficking industry. The USG will continue providing aerial tracking intelligence and resources to sustain those GOP efforts.

STATEMENT OF EXPLANATION

SYRIA

Syria is a transit point for narcotics flowing through the Middle East to Europe and, to a lesser extent, the United States. In addition, because of the presence of some 30,000 Syrian troops in Lebanon, including in the Bekaa Valley, Syria has a responsibility for helping Lebanese authorities end drug production and trafficking through Lebanon. In 1995, Syria continued its cooperation with Lebanese authorities to eradicate opium poppy and cannabis cultivation in the Bekaa, making further significant reductions in cannabis cultivation and practically eliminating opium cultivation. Nevertheless, the flow of narcotics in 1995 remained close to the 1994 level.

The Government of Syria (SARG) reiterated its willingness to pursue all information regarding the possible production of narcotics in Lebanon and Syria. Syrian authorities, in cooperation with Lebanese authorities, moved successfully against one heroin laboratory operating in Lebanon in 1995. There were a significant number of arrests in Syria for drug-related offenses. Despite continuing credible reports that Syrian military and security personnel personally profited from the drug trade in 1995, the SARG again failed to initiate corruption investigations or to bring charges against any Syrian government or military officials. In addition, according to Syrian authorities, 1995 saw the emergence of a new transit route for cocaine from Latin America to Lebanon via Damascus International Airport.

The USG does not provide Syria with bilateral assistance and does not support loans for Syria in multilateral institutions.

Syria is a party to the 1988 UN Convention. While Syria made significant progress in reducing illicit cultivation and increasing seizures in Lebanon, it did not meet some of the other goals and objectives of the 1988 UN Convention. Syria does not have a bilateral narcotics agreement with the United States.

STATEMENT OF EXPLANATION

TAIWAN

In recent years Taiwan has faced a growing problem with heroin trafficking and rising domestic addiction. This led to a major effort by the Taiwan authorities to stop the flow of heroin and reduce domestic usage. Taiwan continues to implement an aggressive domestic counternarcotics program which it says has led to a decline in drug trafficking, demonstrated by lower seizure rates and consumption in Taiwan. There are no indications that narcotics-related corruption is a problem in Taiwan. Authorities now estimate Taiwan has 60,000 heroin addicts. Taiwan has under legislative consideration draft laws that will bring it closer to conformity with some provisions of the 1988 UN Convention. Legislation or agreements regarding asset forfeiture, extradition, mutual legal assistance, illicit trafficking by sea and money laundering have yet to be enacted. The Taiwan authorities have expressed an interest in developing agreements in some of these areas and have been willing to cooperate informally in the area of controlled delivery. Taiwan's cooperation with U.S. anti-narcotics efforts, conducted under the auspices of the American Institute in Taiwan (AIT), has substantially expanded over the past year. AIT and the Taipei Economic & Cultural Representative Office (TECRO) are negotiating a Memorandum of Understanding to provide a framework for even broader counternarcotics cooperation.

The working relationship with DEA and other U.S. agencies involved in counternarcotics is good. The Taiwan authorities have stressed their strong determination to combat the heroin trade. In recent years, East Asia has seen a significant growth in heroin trafficking, paralleling expansions in legitimate trade and commerce. Trafficking routes have proliferated and traffickers have expanded into new markets, including Taiwan. The Taiwan authorities continue to dispute U.S. claims that the island is a significant transit point for heroin. There is no dispute, however, that Taiwan has been a fast-growing and lucrative market for traffickers. Asian organized crime groups active in the heroin trade are known to be active in Taiwan.



STATEMENT OF EXPLANATION

THAILAND

Thailand remains the principal transit route for Southeast Asian heroin. During the past year, Thailand continued to cooperate with the U.S. and other countries to reduce the flow of heroin from the Golden Triangle. The decision of the Thai courts to find former member of parliament Thanong Siriprechapong extraditable to face drug charges in the United States marked a step forward in bilateral counternarcotics and law enforcement cooperation. Following 1995 court proceedings and decisions, on January 18, 1996 Thanong became the first Thai national to be extradited from Thailand to the United States. Ten individuals arrested in 1994 in Operation Tiger Trap are still undergoing extradition proceedings. These cases should be completed in 1996. Another important narcotics fugitive was arrested in 1995 by the Thai police.

Thai opium production in the 1994-95 growing season increased to an estimated 25 metric tons from last season's all time low of 17 metric tons. When compared to production in neighboring Burma (2,340 metric tons), Thailand's production of opium is not a significant contribution to regional production. Nevertheless, the Thai government continues to mount an aggressive eradication campaign.

Thai officials plan to introduce money laundering legislation to parliament in the session beginning in March 1996. When money laundering laws are passed, Thailand intends to become a party to the 1988 UN Convention, since all other enabling legislation is in place. The first convictions under Thailand's asset seizure and conspiracy laws were obtained in September.

Security forces continued to blockade Thailand's northern border with Burma, shutting off supply routes that have sustained narcotics producing groups like the Mong Tai Army and other narco-trafficking groups. The new Northern Drug Task Force, which is partially funded by the U.S., has begun active drug investigations and played a role in seizures of arms and illicit chemicals. Work is underway, with U.S. assistance, to establish a second task force in Bangkok.

Controversy over the U.S. visa ineligibility of two senior members of the leading coalition party has led to some public and media accusations of U.S. interference in Thailand's internal affairs. Drug-related official corruption in Thailand remains a problem. Nevertheless, U.S. authorities continue to benefit from good cooperation with drug enforcement agencies. Both U.S. and Thai authorities are pleased with the implementation of bilateral counternarcotics programs which continue to play a significant role in enhancing Thai drug enforcement capabilities. The current Thai government has publicly proclaimed a strong stance against drug trafficking, but still needs to act on money laundering legislation and the extradition of the Tiger Trap defendants.

STATEMENT OF EXPLANATION

VENEZUELA

The Government of Venezuela (GOV) continued to cooperate fully with the USG and to make progress in meeting the goals and objectives of the 1988 UN Convention, to which Venezuela is a party. The government generally meets the goals of bilateral counternarcotics agreements with the USG. Venezuela sustained its vigorous efforts to keep the country free of illicit crop cultivation, accomplishing such goals as listed in the bilateral narcotics agreement. With USG assistance, the government eradicated 1,660 hectares of coca and opium poppy cultivation in Zulia state near its western border with Colombia.

The GOV's hosting of a USG survey team to identify appropriate counternarcotics assistance to control narcotics trafficking problems along the border with Colombia and the sustained eradication effort indicate the government's interest in preventing traffickers from making incursions into Venezuela. The government has demonstrated interest in defining a role for the military in counterdrug efforts, such as interdiction of trafficker aircraft in Venezuelan airspace. Venezuela has a national drug control strategy, and continues to refine effective implementation efforts.

Venezuelan anti-drug agencies seized 96.8 kg of heroin, a significantly greater amount than last year, and 6.1 MT of cocaine. Improved coordination among anti-drug agencies would promote more effective drug enforcement efforts in Venezuela, where traffickers ship an estimated 100-200 mt of cocaine through the country every year.

The government is working to address weaknesses in the Venezuelan drug law, such as the absence of provisions for controlled deliveries, lack of criminalization of conspiracy offenses, and lack of an asset seizure and forfeiture mechanism. Venezuela's financial networks attract money launderers to its casinos, exchange houses, real estate companies and banks. The government has also indicated interest in hosting USG teams to identify mechanisms to better control money laundering.

Venezuela is attempting to reform the judicial system and has obtained a World Bank loan for that purpose. But the government should take more stringent action against corruption. For example, the government should take appropriate action with respect to a judge who dismissed in 1994 the case of a major money launderer tied to the Cali narcotics syndicate, Sinforoso Caballero. The courts took no action in 1995 after Congress re-opened the case.

Improved money laundering legislation and effective implementation of the bilateral chemical control agreement would indicate increased GOV resolve to reduce international narcotics trafficking and align the government more forcefully with the goals of the U.N. Convention.

STATEMENT OF EXPLANATION

VIETNAM

Vietnam has completed a comprehensive drug control plan that calls for action in enforcement, supply reduction and demand reduction. The government has been active in soliciting international support and mobilizing domestic resources to put the plan into effect. Vietnam has become active in regional efforts in drug control and attended the ministerial-level meeting on drug control held under UN auspices in Beijing in May.

The government has continued its efforts to suppress poppy cultivation in the north and to combat drug use in the cities. DEA has been building a working relationship with the Vietnamese authorities through periodic visits by agents from the Bangkok office. High-level U.S. visitors to Vietnam have discussed drug control with Vietnamese authorities and have received assurances of Vietnam's commitment to drug enforcement. The U.S. has begun training efforts with the Vietnamese counternarcotics units and a course on basic enforcement techniques was conducted by U.S. Customs in June. More training is planned for 1996.

Vietnam is not a party to the 1988 UN Convention, but has pledged to enact enabling legislation and to take the actions needed to become a party. Vietnam has cooperated closely with both UN and U.S. authorities regarding the drafting and enacting of enabling legislation. While new legislation is under consideration, the government is using existing statutes to arrest, convict and punish traffickers. The Vietnamese authorities have been receptive and cooperative to both bilateral and multilateral drug control efforts. They have shown a willingness to undertake enforcement efforts on their own. At present, there is no bilateral counternarcotics agreement with the U.S. The Vietnamese continue to make arrests of drug traffickers and significant seizures of heroin and marijuana. Although there is donor interest in providing international or bilateral drug control aid, there has been almost no assistance delivered to date. As a consequence, Vietnamese efforts in drug control have relied entirely on limited domestic resources.

Drug-related corruption may be a problem among lower level officials, but there is no evidence of systematic or high-level corruption.



## EXECUTIVE SUMMARY

### Policy and Program Overview for 1995

The international drug trade had little to cheer about in 1995, as several key countries intensified their efforts against it. Though some governments acted more vigorously than others, by early 1996 there were more prominent drug figures behind bars than in any comparable period in the past few years. Drug crop eradication, a measure once fiercely resisted by many of the major drug cultivation countries, gained better acceptance as a means of limiting cocaine and opium production. National drug enforcement units, often supported by USG resources, continued to disrupt trafficking organizations, choke off key trafficking routes, destroy drug refining laboratories, and seize important quantities of cocaine and heroin. More countries enacted tougher money laundering laws and tightened restrictions on the commerce in precursor chemicals. And perhaps most importantly, governments of several countries pivotal to the drug trade found themselves obliged to confront the corruption that has given the drug trade access to the highest levels of government. These encouraging developments confirmed the overall soundness of current antidrug policies.

**Drug Trade Still Strong.** Yet 1995 offered no grounds for complacency. The international drug trade remains a powerful, sophisticated, and adaptable force. Despite our collective effort, in 1995, trafficking organizations managed to produce and move tons of cocaine and heroin to nearly every country in the world. They nurtured new markets in Eastern Europe, the countries of the former Soviet Union, Africa and the Middle East. They flaunted their undeniable capacity to corrupt governments. And they showed that often, far from crippling an organization, the arrest of a drug baron may only create a temporary job opening.

The drug trade always seeks new opportunities. To offset potential losses in the Western Hemisphere, the cocaine syndicates have set their sights on new markets throughout the world. In Europe, where a combination of new affluence and social discontent provides the ideal conditions for drug consumption, cocaine was seized in nearly every country between Denmark and Turkey, traditional markets for Southwest Asian heroin. Eastern Europe was a prime target. For example, shipyard workers in Gdansk found over 200 kg of cocaine aboard a Greek freighter in dry-dock; Czech authorities in August arrested a Venezuelan courier smuggling cocaine; Turkish police stopped a Bulgarian courier carrying cocaine intended for sale in Istanbul's bars; Romanian police confiscated liquid cocaine shipped from Colombia. Brazil became a hub for Nigerians moving cocaine to Africa and Europe. And Nigerian traffickers can be found in nearly every prison population in the world.

But cocaine only supplemented the already robust heroin trade. Heroin trafficking rings in Southeast and Southwest Asia respectively poured drugs into the Western Hemisphere, Europe, the Middle East, and Africa. In 1995, Southwest Asian heroin became especially plentiful in Europe, with traffickers splitting and expanding the traditional Balkan smuggling route northward into Romania, Hungary, and the Czech and Slovak Republics, and southward through former Yugoslavia, Croatia, Slovenia, the Former Yugoslav Republic of Macedonia, Greece and Albania. Illegal drugs unfortunately remain a growth industry.

**The Rise Of Synthetics.** A disturbing development in 1995 has been the astonishing spread of synthetic drugs, especially methamphetamine, on the illicit world drug market. Synthetics, which have been growing in popularity over the last few years, may become the drug control nightmare of the next century. As the INCSR country chapters report, the demand for methamphetamine has been increasing not only in the industrialized nations, but in most of the countries of the developing world. From the United States to Europe, from the countries of the former Soviet Union to Africa the appetite for methamphetamine and MDMA ("Ecstasy") has been on the rise. Synthetics allow trafficking organizations to control the whole process, from manufacture to sale on the street. They free traffickers from reliance upon potentially vulnerable drug crops like coca or opium poppy and can be manufactured relatively cheaply from easily obtainable chemicals. With a pool of under- or unemployed Eastern European chemists to draw from, the drug mafias are making synthetics a third "drug pillar" to rival the mainstays of drug trade, cocaine, and heroin. There were already signs in 1995 that Mexican trafficking organizations that dominate the cocaine pipeline are aiming to control the US methamphetamine trade.

**Accomplishments.** In 1995, it was the cocaine trade that suffered most as Colombian forces arrested many of the key leaders of the Cali drug mafia, until now the most powerful of the cocaine trafficking syndicates. While the subsequent escape of Jose Santacruz Londono--who drove away in January from a Bogota prison--took some of the luster off the triumph, it was nonetheless a major achievement. Coming two years after the fragmentation of the Medellin drug cartel in 1993, the Colombian government's attack on the Cali drug cartel has sown disarray in the Colombian cocaine trade, at least for the time being.

The cocaine trade suffered other losses elsewhere in Latin America. Colombian and Peruvian military forces, supported by the USG, severely constricted the "airbridge" carrying semi-finished cocaine products from Peru to Colombia for refining and distribution. The bottlenecks briefly caused the price of coca in Peru to plummet, since traffickers were unable to move perishable commodities to market.

There were notable achievements in other parts of the world. Pakistani authorities reported seizing nearly 17 metric tons of heroin. If pure, this quantity alone would be enough to satisfy demand for the year in most of Western Europe. Pakistan also extradited to the United States three leading heroin traffickers, Iqbal Baig and two of his deputies, key figures long sought by USG authorities. In Southeast Asia, Thailand began extradition proceedings against the ten major drug traffickers associated with the region's most notorious drug warlord, Khun Sa (Chiang Chi-Fu). The ten were arrested in late 1994 in Operation Tiger Trap, as Thai military and security forces shut off major roads and trafficking routes close to insurgent-held areas of Burma. An eleventh associate was arrested in 1995 and also is facing extradition to the US to stand trial on federal drug trafficking charges.

**Drug Cultivation.** Drug crop data were less encouraging: both coca and opium poppy enjoyed a bumper year in 1995. Hectarage and potential yield estimates set a new record for each crop. Good weather was primarily to blame, though government inaction was also a boon to the growers. In the Western Hemisphere, coca cultivation spread in all three major coca-growing countries, for an annual total of 214,800 hectares, beating the 1992 record of 211,700 hectares. The largest expansion--six percent--occurred in Peru, where the government has yet to forced eradication of mature coca, fearing it would stir social unrest. Peru did, however, carry out an aggressive eradication of coca seedbeds, which could have produced over 16,000 hectares of mature coca. In February 1996, the Government of Peru issued a decree initiating a limited coca eradication program.) In Colombia and Bolivia, the second and third ranking coca producers, eradication campaigns removed important hectarage from cultivation, though new planting during the year offset any net gains. The Bolivian eradication effort in 1995 was particularly significant. By removing nearly 5,500 hectares of mature, fully productive coca, potential leaf production fell by five percent, despite the slight net increase in overall cultivation (from 48,100 hectares in 1994 to 48,600 hectares in 1995). Unless the government eradicates the new coca soon, potential leaf yield will rise again in two years when the new plants come "on-line."

**Opium.** Aided by improved weather conditions, opium poppy cultivation enjoyed a banner year in 1995. Southeast Asian cultivation rose five percent in Burma and six percent in Laos, while dropping markedly in China (down 35 percent) and Thailand (down 17 percent). Overall, Southeast Asian poppy cultivation grew by slightly over four percent. In Southwest Asia, total hectarage climbed by approximately nine percent, most of it in Afghanistan. Afghan poppy cultivation leapt up by one third to 38,740 hectares, making it the world's second greatest opium source country. Pakistan's cultivation declined by four percent (to 6,950 hectares). Western Hemisphere opium figures were lower in 1995 for two reasons. First, until 1995, we had no actual survey data on Colombian opium, which had been reported at 20,000 hectares. The revised estimate, based on imagery, is 6,540 hectares, assuming three crops per year. Second, Mexico's opium poppy crop fell from 5,795 hectares in 1994 to 5,050 hectares in 1995.

Opium gum yield estimates for 1995 set a new record. Potential opium gum production soared by 16 percent to a new high of over 4,000 metric tons, with Burma alone responsible for nearly 70 percent of the total. With a potential capacity for producing 2,400 metric tons of opium (i.e., 240 metric tons of heroin), Burma by itself could supply most of the world's heroin needs. Ideal weather conditions in Laos more than doubled the country's potential opium gum production, jumping from 85 metric tons in 1994 to 180 metric tons in 1995. In Southwest Asia, overall potential production rose by 18 percent, despite a three percent drop in Pakistan's estimate. Afghanistan's 32 percent increase (1,250 metric tons in 1995 versus 950 metric tons in 1994) accounts for most of the rise. Western Hemisphere potential yields were 65 metric tons of opium gum for Colombia and 53 metric tons for Mexico, leaving Colombia for the second successive year as the Hemisphere's major potential opium producer, despite an aggressive poppy eradication campaign.

**The Elements of Controlling Supply: Simple Concept, Difficult Application.**

The goal of significantly reducing the supply of illegal drugs is attainable, but not without a sustained commitment. The basic principles of supply reduction are straightforward. A five-stage grower-to-user chain links the drug producer in a foreign land with the consumer in the United States. These stages are: cultivation, processing, transit, wholesale distribution, and finally retail sales on the street. The USG's international drug control programs target the first three links of this chain, cultivation, processing, and transit. Severing the chain at the source is the most cost-effective means of cutting the flow; the drugs never enter the system at all. It is analogous to removing a tumor before it metastasizes. For example, current research suggests that roughly every 200 hectares of coca eradicated potentially deprives the system of about a metric ton of finished cocaine. Given current aerial spraying capability, it would not take long to make a major dent in the cocaine supply. Aerially applied, environmentally approved herbicides could eradicate a large portion of the coca crop in a period of months. Moreover, it would take two years to replace this lost production, given the growth cycle of coca.

**The Importance of Eradication.** USG drug control policy over the past three years consequently has stressed the importance of eradication, without underplaying the need for interdiction. Except for Colombia and Panama, however, most coca-producing countries are reluctant to apply such products to drug crops, even when they are using significantly stronger, more toxic herbicides for weed control in legitimate food crops. Bolivia uses manual eradication which helps but is slow, less permanent, and exposes eradication personnel to greater danger from growers.

Eradication has gained greater acceptance in the past few years. Eradication campaigns in Bolivia and Colombia have shown that it is possible to restrict significant expansion of the coca crop. Both governments now acknowledge crop control as a critical element in eliminating illegal coca, though only Colombia will permit the use of aerially applied chemicals. Peru, the largest cultivator, is still wavering. Its government will destroy seedbeds, but is reluctant to face the political and economic consequences of spraying without long-term compensation from abroad. In 1995, Peru, which did not eradicate, was the only country to show a significant increase in coca cultivation. If all the governments in the region would aerially eradicate illegal crops at the same time as they make serious inroads into the trafficking organizations, we could expect to see a real drop in supply over the next few years.

**The Determining Factor: Political Will.** The cornerstone of any successful antidrug strategy is political will. A country can have state-of-the-art antidrug hardware and enforcement units and still not cripple the drug trade--unless its government is willing to weather the short-term political backlash that effective antidrug measures inevitably trigger. Except in those rare cases where governments lack physical control of national territory, the ground that antidrug forces gain one year is often lost the following year when governments lack the political courage to stand by their decisions. The effects of flagging political will are visible to all, especially the major drug organizations. And they make the most of it.



The drug trade learned long ago that where political will is weak it can establish a modus vivendi with a government. Trafficking organizations as a matter of course will absorb losses in a given area if their overall operations in other areas are profitable. That is the cost of doing business. Most governments, in turn, tend to concentrate their antidrug operations in sectors least likely to trigger a political backlash from drug interests.

In a typical pattern, a major drug cultivation country concentrates on interdiction, when what is necessary is eradication; a major drug refining country eradicates crops while major trafficking organizations operate profitably by manipulating corrupt enforcement and weak judicial systems; or a major banking country actively pursues trafficking organizations, while guarding bank secrecy and avoiding effective money laundering reforms. Once a modus vivendi takes hold, the drug problem becomes endemic. The short-term political peace that the politicians enjoy only allows drug interests to dig in for the long term. One of the basic tenets of USG antidrug policy has been to expose and where possible prevent such capitulation by encouraging political will in the principal drug producing and transit countries. For once a drug problem becomes endemic, corruption inevitably thrives; and where there is large-scale corruption, democratic government is in jeopardy.

**A Gauge of Will.** Measuring political will is not easy, but one useful gauge is crop eradication, particularly in the coca-growing countries. Coca cultivation is finite and concentrated in three countries in the Western Hemisphere. Our technical skills allow us to locate and measure the extent of coca cultivation, while our modern spray aircraft and environmentally safe herbicides provide a tested means of eliminating cultivation. Since we share survey results with--and will provide eradication assistance to--the governments concerned, we can judge political will by the amount of crop reduction a government is willing to carry out. Granted, this is only one measure of political will, but it is a critical one, since large-scale, methodical eradication could in one growing season remove half the crop that yields the cocaine feeding the world's drug habit.

In the decade since the USG first refined its crop estimating techniques, the size of the world's illicit drug crops has fluctuated within certain parameters. Though supply varies depending on weather patterns and sporadic efforts by various governments to cut back cultivation, we know that even in bad years there is more than enough coca and opium poppy available to assure a market surplus. Since we also know that reducing drug crops is both feasible and effective, a serious antidrug effort will only succeed as we force down total drug cultivation below the point where the drug trade feels the pinch. And we must do this more every year. Otherwise, we will be caught in an endless annual ritual of thrust-and-parry that allows weak governments to demonstrate activity without accomplishment. That is a prescription for a status quo that only favors the drug trade and the corruption that follows in its wake.

**Corruption.** At the core of the struggle against the drug trade is a battle against corruption. Drugs are primarily a means to make vast sums of money. Gram for gram there is no more lucrative commodity than drugs. Substances that are relatively cheap to produce generate criminal revenues on a scale that has no historical precedent. At an average of one

hundred dollars a gram on the streets of the US, a metric ton of cocaine is worth \$100 million if pure, double that amount if the cocaine is cut. The USG typically seizes more than 100 metric tons annually, or a quantity of drugs exceeding \$10 billion to the drug trade, as much as the gross domestic product of many countries. To put these numbers in perspective, the USG in fiscal year 1995 spent a little over \$810 million on all its international drug control activities. In quantities of cocaine, that translates into approximately eight metric tons of cocaine. Large jets flying into Mexico have carried in as much or more in one shipment.

With such resources at their command, large trafficking organizations have an almost unlimited capacity to corrupt. The more entrenched the drug organization, the better its chances to corrupt. For example, in this hemisphere the two countries that have struggled the longest against the drug trade--Mexico and Colombia--are also those that have had to face the drug corruption that has crept into the uppermost reaches of government. The nightmare scenario, of course, is that one day traffickers could simply control governments through elected officials who actually owe their office to drug syndicates. While this has not happened in recent times, there have been some disturbing near misses. We can expect the drug trade to keep pressing at every opportunity, since its survival depends upon the right combination of government impotence, neglect, and complicity that corruption feasts upon.

**Certification: a Spotlight on Cooperation.** One way to help keep governments honest is through periodic public scrutiny. Drug corruption, like any other form of subversion, can only flourish in the shadows. Thanks to a provision in the Foreign Assistance Act, the United States Government has the equivalent of an international spotlight to focus on the major drug-related countries: the drug certification process. Every year the President must certify whether each major drug producing or transit country has cooperated fully or has taken adequate steps on its own to meet the goals and objectives of the 1988 UN Convention, including rooting out public corruption. The certification process gives the President an international platform for a candid, public evaluation of the performance of the major drug-affected countries.

Though denial of certification carries important foreign assistance sanctions, as well as a mandatory negative US vote against lending by six multilateral development banks, the potential material losses are often less important than the public opprobrium of failing the standard. The last thing any government wants impugned before its international peers is its honor or integrity, especially when it must publicly confront objective, if often damaging evidence that it has not cooperated fully in countering the drug trade. Most governments now realize that every year the President of United States is legally bound to make such a public assessment. And most know that the nature of that assessment depends largely on their efforts during the year.

**A Useful Process.** The drug certification process has been very effective in recent years. By working with the principal countries concerned to establish realistic benchmarks through periodic demarches, we have been able to provide honest assessments of cooperation. Where appropriate, we have recognized achievement, criticized poor cooperation, or granted national

interest certifications. The remarkable improvement in cooperation levels over the past three years underscores the importance of holding countries publicly responsible for their actions before their international peers. Such public diplomacy makes it impossible for the drug trade to hide behind the polite formalities of traditional bilateral diplomacy. As uncomfortable or embarrassing as some countries may find this process in the short term, we believe that over time such openness will severely curtail the influence of the drug trade by eliminating the corruption that nourishes it.

## **NEXT STEPS**

We must continue to exploit the vulnerabilities of the drug trade. Contrary to the image that the large drug syndicates cultivate, they are far from invincible. They cannot exist independently of the governments in whose territories they operate. Nor can they function outside the financial channels of legitimate commerce. We must therefore concentrate on disrupting the drug production and distribution cycle, while striking at trafficking organizations at their most vulnerable point, in their financial operations. Illegal drugs and their criminal revenues form a self-reinforcing vicious circle. Drugs generate astronomical profits that permit the expansion of the drug trade; this expansion, in turn, allows the system to generate more cash.

Breaking the cycle is difficult, but not impossible. Unfortunately for them, criminal enterprises are at the mercy of the world's legitimate banking systems. Their profits, if they are to be useful, must at one time or another pass through international banking channels subject to government oversight. Moreover, the very magnitude of cash that makes drug trafficking so profitable also makes the profits difficult to conceal from attentive banking systems. We will encourage other governments to strengthen their oversight mechanisms, tighten regulations, and more stringently enforce money laundering laws. We will also work with them to develop means of quickly identifying, freezing, and ultimately seizing illegal drug proceeds before they can be invested. We will make full use of the sanctions imposed by under the International Economic Emergency Powers Act to prevent the drug trade from exploiting legitimate companies for criminal purposes. Drug traffickers who find they cannot easily spend their profits may eventually look for another line of work.

The United States will continue to provide leadership and assistance to its partners in the global antidrug effort. We cannot afford to give up any of the precious gains made in the last decade. Yet ultimately the success of this effort will hinge not on the United States, but on the actions and commitment of the major drug-affected countries themselves. We will help, but they must lay the political and economic groundwork for development programs to provide legitimate alternatives to farmers now raising illegal crops. They must undertake prevention and demand reduction programs to avoid the risk of losing the next generation to drug addiction. Most importantly, they must demonstrate the necessary political will to defend their national sovereignty from drug corruption by reforming and strengthening their political, legislative, judicial, law enforcement, and banking institutions. The drug trade flourishes only when it can divide populations and corrupt institutions from within. It cannot survive a concerted, sustained effort by a coalition of countries individually committed to its destruction. We shall work to make that coalition a reality.

## COCA AND COCAINE

Cocaine continues to pose the most serious drug threat to the United States. Crack, the smokeable variety of cocaine, is one of the most addictive drugs on the market. Besides quickly ensnaring its victims, crack is a euphoric stimulant which often provokes violent behavior in users. From the drug trade's vantage point, it is an ideal drug: it is cheap, potent, addictive, widely available, and most important of all, immensely profitable. Crack sales fuel much of the drug violence in America's largest cities, as gangs compete for lucrative sales territory while addicts steal to feed their habit. In spite of stringent USG antidrug efforts, hundreds of tons of cocaine enter the U.S. every year by land, air, and sea. Even the 100 metric tons or so of cocaine that the USG typically seizes in a year have little discernible effect of price or availability. The combination of strong demand and extraordinary profits continue to make the United States the cocaine trade's foremost market.

Europe, however, is not far behind. Contemplating a day when cocaine use may decline in the U.S., the cocaine trade for the past few years has been targetting affluent European countries. In 1995, Italy seized over two and half metric tons of cocaine; by October, Spain had seized six metric tons; Portugal 1.9 metric tons--a sign that large volumes of cocaine are now available in Western Europe. Post-Communist Eastern Europe offers another attractive market. The Cali drug mafia has been using Poland as a foothold in Hungary. Cocaine now moves freely also to Africa. Nigerian trafficking rings use air links from Brazil to African capitals to move large amounts of cocaine both for consumption in Africa and transshipment to Europe. Ghana and South Africa are increasingly important junctions for cocaine transiting Africa. Cocaine, in short, remains a growth industry in most of the world.

**Source and Transit Highlights.** The principal cocaine producing and transit countries, with some essential assistance from the USG, carried on active campaigns against the cocaine syndicates in 1995. Though the weakening of the Cali drug mafia was the most salient single accomplishment, all the major coca growing countries kept up the pressure on the drug trade. **Bolivia** not only turned in its best coca eradication effort in six years, but seized over seven metric tons of cocaine products. The key enforcement success in 1995 was a joint Bolivian-USG investigation that ultimately resulted in the mid-September seizure in Lima of a Bolivian transport plane carrying over four metric tons of cocaine HCl.

In **Colombia**, government forces carried out major coca eradication efforts, spraying over 24,000 hectares. Without the massive spraying campaign, Colombian coca could have far outstripped Bolivian cultivation. Colombian forces seized over 21 metric tons of cocaine HCl, less than in 1994, but still a sizeable quantity. In addition to its active role in constricting the air-bridge shipments, the Government of **Peru** also stepped up its interdiction efforts with the country. Cocaine seizure rates rose dramatically from less than 100 kilograms in 1994 to 7.7 metric tons in 1995, showing not only greater achievement but underscoring increased refining activities of cocaine hydrochloride (HCl) in Peru. Though the Peruvian government has yet to undertake eradication of mature coca, in 1995 it did systematically destroy 253,673 square meters of coca seedbeds capable of providing 16,912 hectares of mature cultivation. In February 1996, the Government of Peru issued a decree initiating a limited coca eradication program.

The discovery that Colombian traffickers were delivering multi-ton shipments of cocaine in jumbo jets underscored **Mexico's** role in the flow of cocaine north. Although drug seizures lagged for much of the year, several surge operations in late 1995 brought the total cocaine seized up to 22.2 metric tons, approximately the quantity seized in 1994. Mexico's air interdiction program, Operation "Halcon" (falcon), known in the US as the Northern Border Response Force (NBRF), helped seize 18.5 metric tons cocaine in 1995. In addition to the arrest of other important traffickers in 1995, in January 1996 Mexican authorities captured Juan Garcia Abrego, one of the country's most notorious traffickers who has also been suspected of involvement in the assassination of Mexican Presidential candidate Luis Donaldo Colosio.

In **Panama**, by the end of November, enforcement authorities had seized nearly six metric tons of cocaine, less than 1994, but nonetheless an important quantity. Panama's National Air Service, supported by USG aircraft, eradicated over 100 hectares of coca along Panama's border with Colombia. As in past years, these operations further underscored not only the feasibility but also the efficacy and environmental acceptability of aerially applied herbicides against coca.

**Belize** emerged in 1995 as an important transit country for South American drug traffickers moving cocaine into Mexico via the Yucatan for transshipment to the US. Despite limited resources, Belizean enforcement authorities seized over three quarters of ton of cocaine. the USG believes this represents only a fraction of the amount actually transiting the country.

In 1995, there was substantial drug trafficking through the **Eastern Caribbean** gateways to US ports of entry in both the main island and Vieques island of Puerto Rico and the US Virgin Islands. The USG has designated Puerto Rico and the US Virgin Islands as a high intensity drug-trafficking area, and has provided special funding to combat the problem. DEA reports that during the last three years an estimated seven tons of cocaine per month were successfully smuggled into Puerto Rico from the Lesser Antilles. The Lesser Antilles, which includes territories of the United Kingdom (UK), the Netherlands, and France, is also increasingly a transit route to Western Europe; approximately 30 percent of the drugs brought into the UK come from or through the Caribbean.

## **HEROIN AND OPIATES**

Though cocaine still holds center stage on the US drug scene, heroin is lurking conspicuously in the wings. While it is just as deadly and addictive as cocaine, heroin, as an opiate, has a property that appeals to the drug trade's long range planners: it allows many addicts to develop a tolerance to the drug. Where constant cocaine use may kill a regular user in five years, a heroin addiction can last for a decade or more, as long as the addict has access to a regular maintenance "fix." And often such an addict can maintain the facade of a relatively normal life. This insidious property potentially assures the heroin trade of a long term customer base of hard-core addicts.

Unfortunately, heroin seems to be gathering a growing following in the United States. The US heroin addict population, which had remained stable at about 500,000 persons for nearly two decades, has grown to about 600,000 and may well be higher. A disturbing trend of multiple drug use suggests that more of America's 2.1 million hard-core cocaine addicts are using heroin to cushion the "crash" that follows the euphoria of crack use. The availability of a more potent, high purity heroin that can be snorted or smoked instead of injected may also add to its appeal. It frees the user from hypodermic syringes and the added threat of acquiring AIDS from a contaminated needle. There is a danger that heroin may gain acceptance as an upscale drug only distantly linked to the junkies and derelicts of the 1960's. The heroin industry seems to be counting on a new generation's ignorance of its devastating consequences in order to develop a secure and lucrative market in the Western Hemisphere.

Elsewhere in the world, heroin's position as the drug of choice remains secure. Bumper opium poppy crops in Southwest Asia have helped feed a superabundance of heroin to markets throughout Europe. This year's INCSR chapters report an upsurge in heroin availability in virtually every country in Europe and countries of the former Soviet Union. The northern branch of the Balkan Route is moving greater quantities of heroin to markets in the Czech Republic, Hungary, and other countries in Eastern Europe, as more open borders facilitate transit of the drug. Heroin seizures continue to be commonplace in Africa, where Nigeria is a planning and distribution hub for most of the heroin destined for Europe and other African countries. In Southeast Asia, heroin continues to challenge traditional opium use. China is experiencing growing addiction problems, with teenagers making up the bulk of registered addicts. In Thailand, heroin has displaced opium as the drug of choice among the hilltribes. This, in turn, has allowed heroin trafficking organizations to expand their networks throughout northern Thailand. In short, wherever one looks, the heroin trade appears to be on the march.

**Wholesale Advantage.** Part of the allure of heroin to the drug trade is its wholesale advantage. While heroin and cocaine are priced competitively at the street level (roughly \$100 per gram), at the wholesale level heroin is ten to twenty times more profitable to the drug syndicates. Where a kilo of cocaine will sell wholesale for between \$10,500 and \$40,000; a kilo of heroin fetches between \$150,000 to \$250,000. Little wonder then that the South American cocaine trafficking syndicates wish to take advantage of the wholesale profitability of the heroin trade, especially as marketing opportunities seem to abound.

**Source and Transit Highlights.** In the Western Hemisphere, there was good news as USG imagery determined that **Colombia's** opium poppy cultivation was only about one third as great as previously estimated. While considerably less than the 20,000 hectares estimated in previous years, Colombia's 6,540 hectares, assuming three crops per year, make it the largest potential opium producer in the Hemisphere. Across the border in **Venezuela**, government authorities located and destroyed 1,600 hectares of poppy in the Serrania de Perija frontier region. This was the second year that Venezuelan law enforcement agencies found a spill-over from Colombian opium poppy cultivation. In **Peru**, where the government in the past has destroyed numerous small poppy plots, for the second year authorities seized a commercial quantity of opium gum.

This action follows reports that Mexican drug mafias have increased their presence in Peru and are pressing Huallaga Valley *campesinos* to plant poppies. Further moves toward opium poppy cultivation should be a source of concern, since it represents a continuing escalation of Latin America's already serious drug production problems. It is also a matter of concern to the United States, since the quality of South American heroin is improving. In its 1994 NNICC Report, issued in August 1995, the Drug Enforcement Administration (DEA) noted that South American heroin had the highest purity (average 59.3 percent) of any samples analyzed under its Domestic Monitor Program.

Since **Guatemala** has successfully eliminated all but a negligible amount of poppy cultivation--another testimonial to the critical importance of aerial eradication--**Mexico** remains the second largest Latin American grower of opium poppy. At the end of the year, the Mexican government had eradicated over 6,600 hectares, leaving approximately 5,800 hectares under cultivation. Mexico's cultivation levels in 1994 were the highest since 1989, when the Salinas government began an aggressive campaign to reduce opium production.

**Nigeria** remains central to the worldwide heroin trade. Nigerian traffickers smuggle Asian heroin to the United States and to Europe. They are also among the leading carriers of Southeast and Southwest Asian heroin into the United States. Last year, Interpol listed Nigerian couriers as the third largest heroin smuggling group in the world. Nigerian traffickers are believed to be using Hungary as a transit point for drugs.

**Europe** remains a steadily growing market for Southwest Asian heroin. The centuries-old Balkan smuggling route from Turkey to Austria has been expanded northward into Romania, Hungary, and the Czech and Slovak Republics, and southward through Croatia, Slovenia, the Former Yugoslav Republic of Macedonia, Greece and Albania. **Slovakia** is becoming a key conduit for smuggling Southwest Asian heroin to Western Europe. The seizure by Slovakian authorities of a Turkish truck destined for Germany with a record load of over 200 kilograms of heroin was an alarming indication of the quantities moving along the trifurcated Balkan Route. Turkish trafficking groups, with distributors in ethnic enclaves in major European cities, control much of the Balkan Route heroin trade.

**Russia** has emerged as a key drug market, a conduit for smuggling illicit drugs to Western markets, and a producer of illicit amphetamines and opium poppy. The break-up of the Soviet Union and the transition to a market economy are making Russia more vulnerable to organized and financial crimes, including those involving narcotics. Russian authorities claim that drug use is now accelerating at a fifty percent increase per year and there are now over 2 million drug users in Russia. Law enforcement authorities believe that Russian criminal groups control most of the trafficking and distribution in Russia. Most appear to operate locally, but many of the small criminal gangs located in the Central Asian and Transcaucasus states and Ukraine have formed links with Russian distributors in key Russian cities.

**Ukraine's** considerable role as a conduit for drug smuggling from Central Asia and Turkey to Europe is reflected in over 23 tons of narcotics seized in the first half of 1995. Moreover, authorities have also begun to seize chemical shipments destined for Southwest Asia for use in the production of illicit narcotics such as heroin.



The Central Asian countries of **Kazakstan**, **Kyrgyzstan**, **Tajikistan**, and **Uzbekistan**, once important opium poppy growing regions of the old Soviet Union, are now playing a greater role in heroin trafficking. Since Kazakstan is a transportation and communication bridge between Europe and Asia, trafficking organizations have been moving significant and increasing quantities of opium from Southwest Asia and China to Russia, other Newly Independent States (NIS) and Europe. A recent increase in seizures along the Kazak with China reflects increased trafficking of Southeast Asian heroin through Kazakstan.

In 1995, **Kyrgyzstan** officials seized one ton of opium that was destined for Western markets. Kyrgyzstan's location makes it attractive to increased transit trade as heroin and hashish traffickers seek new routes from Pakistan and Afghanistan to Russia and the West. The growing use of this route by traffickers to channel drugs from Afghanistan to the NIS and the West has resulted in a corresponding rise in drug related crimes in Kyrgyzstan itself. **Tajikistan**, in 1995, remained a major conduit for smuggling opium and hashish from Afghanistan to Russia, the NIS, and Europe. In October 1995, the Tajik Customs Service made its first-ever seizure of heroin on the Afghan border. Tajikistan government security officials estimate that the flow of drugs transiting Tajikistan is on the rise.

In **Southwest Asia**, opium poppy cultivation rose significantly in 1995. Most of the increase came from **Afghanistan**, where USG surveys show a 33 percent increase in poppy cultivation over the 1993-94 figures. Afghan opium is the source of much of Europe's heroin. Sophisticated Pakistani trafficking organizations operating out of Quetta, Pakistan, smuggle heroin base and morphine out of Afghanistan to the international market. These groups place orders with the Afghani processors and arrange for transshipment of the drugs from Afghanistan through Pakistan and to Iranian or Turkish buyers who move it through Iran and into international drug channels. Most Afghan opium is destined for processing into heroin in Turkey. The finished heroin is sold primarily in Europe, and to a lesser extent, in the United States. In **Pakistan**, opium poppy cultivation dropped from 7,270 hectares in 1994 to 6,950 hectares at the end of 1995. Over 1,600 hectares were eradicated in a major opium poppy eradication campaign.

The Golden Triangle area of **Southeast Asia** had a record year, with estimated total potential opium production exceeding 4,000 metric tons. Poppy cultivation was up in **Burma** and **Laos**, but dropped in **China** and **Thailand**. As in previous years, Burma remained the world's largest potential opium producer, with an estimated 2,340 metric tons available. That amount could produce an estimated 234 metric tons of heroin, enough to satisfy much of the world's craving for the drug. In 1995, **Laos**, with an estimated 180 metric tons of potential opium production, edged out Pakistan and became the world's third largest potential producer of illegal opium after Burma and Afghanistan.

## INTERNATIONAL ORGANIZATIONS

International organizational efforts continue to be a key component of the overall U.S. counternarcotics strategy. Through multilateral organizations the United States has the opportunity to multiply contributions from other donors and decrease the perception that drugs are exclusively a U.S.



problem. The USG participation in multilateral programs also supports indigenous capabilities in regions where the U.S. is unable to operate bilaterally for political or logistical reasons. Moreover, the U.S. contributions to UNDCP have had significant impact on the operations and expansion of UN counternarcotics programs and policy.

UNDCP has increased the number of projects as well as expanded the scope of its effort to include emerging drug source areas such as Vietnam, Cambodia, and the Central Asian states. U.S. contributions to UNDCP have had significant impact on the operations and expansion of UN counternarcotics programs and policy. In the past year, the level of U.S. contributions has also led to increased commitment from other donors, whose primary vehicle for international drug control efforts continues to be the UN. Recent U.S. contributions to UNDCP have led to:

- an expansion of the Southeast Asia program which targets the largest opium producer, Burma through a cooperative program that includes China, Thailand, and Laos. In addition to new programs in Vietnam and Cambodia the program now includes a pilot project in the Wa-controlled area of Burma and a project for the Kachin-controlled area;
- development of a program to support the eradication campaign in Nangarhar province, a key opium cultivation area in the second largest opium producer, Afghanistan;
- establishment of a joint Pakistan-Indian law enforcement program;
- provision of UNDCP chemical control investigative training and administrative advice in Southwest Asia and Latin America;
- development of a maritime cooperation program;
- establishment of a regional training project in the Caribbean to train prosecutors and judges in order to improve conviction rates on narcotics-related cases;
- the establishment of a demand reduction training center for Central European nations;
- provision of legislative advice which led to significant changes in antidrug laws in Central Europe and the Newly Independent States (NIS) in order to implement 1988 UN Convention;
- coordination of bilateral and multilateral assistance to Eastern Europe and the NIS, and provision of training and advice to bolster law enforcement and customs institutions.

## **INTERNATIONAL DEMAND REDUCTION**

Almost all of the major illicit drug producing and transit countries continue to have significant drug abuse problems, which not only degrade the political, social and economic stability of a nation, but offer new markets to the drug trade. The USG has been working with many of these countries to reduce demand and prevent drug abuse.

In 1995, the USG addressed the question of international demand reduction through continuing bilateral and multilateral efforts. Bilaterally, INL continued to fund programs on demand reduction training (education, prevention, treatment, research) and public awareness primarily in Latin America, Southeast Asia, and Eastern Europe. Increased assistance was provided to Southwest Asia, South Africa, and the Newly Independent States. It conducted bilateral programs in 1995 with Brazil, China, Colombia, Dominican Republic, Guatemala, Honduras, India, Malaysia, Mexico, Pakistan, Panama, Peru, Thailand and Venezuela, as well as with less significant drug producing and transit countries.

Multilaterally, the USG continued to work closely with the European Union, the UNDCP, UNICEF, the IADB, OAS-CICAD, the Colombo Plan, and the Commonwealth Secretariat on such projects as enhancing or creating regional demand reduction training centers in for Eastern Europe and Latin America, drug prevention and intervention services for "street children" in Brazil, Peru, Colombia, Ecuador, Bolivia, and Venezuela; and developing coalitions of demand reduction NGOs based on the Center for Substance Abuse Prevention's community partnership model for drug prevention.

Significant accomplishments resulting from INL-funded demand reduction training and collaborative initiatives with other donors include the following:

- Thailand continues to staff and service its \$14 million, residential drug treatment complex and training center based on a model developed by Daytop International.
- With the assistance of Daytop training, Thailand also developed a community-based demand reduction program servicing the entire Yala province; the Thai Ministry of Justice established additional rehabilitation centers, and the Thai Corrections Department introduced the therapeutic community model of treatment in 54 prisons.
- Colombia continued to expand its national coalitions of treatment and prevention programs, in addition to beginning preparations for a second national-level survey on drug consumption.
- The Colombian Government and UNDCP developed a \$4 million project on substance abuse treatment in prison settings, utilizing concepts learned in Daytop training.
- Venezuela developed a local media partnership modeled after the Partnership for a Drug Free America; raising over \$5 million in private donations.
- Brazil initiated plans for a similar media partnership with a target of \$15-18 million per year in private sector donations.
- Malaysia introduced concepts learned in Daytop training into 42 aftercare centers and will build another 40 throughout the country with the target to have an aftercare center for each district.

- China provided \$3.0 million towards the development of an Institute on Drug Abuse in Yunnan Province that will provide treatment, prevention, and drug research services; this project resulted from Daytop training.
- Turkey conducted its first national survey on drug consumption using technical assistance from NIDA and INL.
- Following INL/OAS-CICAD regional training in Barbados, Caribbean public and private sector organizations formed a regional association of drug counselors.
- Hungary implemented a substance abuse curriculum and prevention program in its schools systems.
- Hungary and Brazil developed prevention programs based on the DARE model.
- Japan continued to co-fund demand reduction projects with INL in South Africa (prevention and treatment), Latin America (Andean street kids initiative developed by INL and OAS-CICAD), and South Asia (matching contributions to the Colombo Plans drug assistance program).
- The IADB continues to provide substantial funding to the network of street kids organizations in the State of Sao Paulo, Brazil, originally developed with INL and EU funding.
- The INL/UNDCP-funded, sub-regional training center in Brazil for street kids staff and health care workers officially opened in 1995.
- The INL/UNDCP-funded regional training center for Eastern Europe that is based in Sicily provided expanded training services in 1995.

## CHEMICAL CONTROLS

Chemical control has been internationally accepted. Article 12 of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988 UN Convention) establishes the obligation for parties to the treaty to control their chemical commerce to prevent diversion to illicit drug manufacture. The annexes to the Convention list 22 chemicals as those most necessary to drug manufacture and, therefore, subject to control.

The Chemical Action Task Force (CATF), mandated by the Group of Seven Industrialized Nations and chaired by the U.S., developed practical recommendations for governments to consider in enacting national laws and regulations to comply with the chemical control obligations of Article 12. The CATF noted that international cooperation between enforcement and regulatory agencies is essential to the effective implementation of the national laws and regulation. Information exchange to verify the legitimate end-use of proposed transactions in regulated chemicals is the key element of this cooperation.

By 1995, most major chemical and drug producing countries had chemical control laws and regulations on the books adequate to meet the chemical control obligations of the 1988 UN Convention. In some cases not all 22 chemicals listed in the convention were regulated, but the chemicals most pertinent for each country were covered. Since many of these laws and regulations were based on the recommendations of the CATF, they were compatible, thereby facilitating international cooperation, a key CATF objective.

The need for international cooperation, most importantly information exchange, became more apparent in 1995 as individual control regimes became more efficient and traffickers were forced to seek alternative sources of supply. To preclude this, information on proposed transactions needs to be shared among enforcement authorities so "shoppers" can be identified and thwarted. However, there is a reluctance on the part of many governments to share information on proposed transactions except with the importing government which would be aware of the transactions through its import control procedures.

In pursuing an export, no crime has been committed by the exporter; the purpose of sharing information on proposed transactions with other governments is to tap the experience of others to assist the exporting or importing government in determining the legitimacy of the transaction. The vast majority of transactions are innocent, and in highly competitive international chemical commerce, exporters do not want the confidentiality of their transactions compromised by sharing with third parties. Some governments have laws precluded sharing information received as part of a regulatory process.

During 1995, at the policy level, we continued to urge adoption of chemical control regimes by governments that do not have them, and wider and more effective international cooperation in their implementation by those that do. Concurrently, at the enforcement level, we continued to strengthen cooperation and communication among enforcement agencies. These efforts are mutually supportive: policy level direction to enforcement agencies improves cooperation among them, and improved cooperation among enforcement agencies, whether directed or self-initiated, demonstrates that cooperation is possible without compromising legitimate commercial interests.

In September 1995, DEA, with financial and administrative support from the European Commission and with the cooperation of the Turkish Government, held a major chemical control conference in Istanbul. Delegations from 22 Middle Eastern, Balkan, European, Central and South Asian countries attended. The purpose was twofold: to impress upon the new governments of Central Asia to need to adopt chemical control regimes in conformity with international standards, and to improve cooperation among all the participating enforcement agencies. It is too early to assess the long-term results of the conference, but shortly thereafter a DEA team visited Tajikistan, one of the participating governments, to find a government receptive and eager for effective law enforcement cooperation.

In December 1995, the European Union on behalf of its member states, signed chemical control agreements with Bolivia, Colombia, Ecuador, Peru, and Venezuela, to improve cooperation and communication between governments to ensure the legitimate end-use of proposed transactions in regulated chemicals. Engaging major European chemical producing and trading countries in chemical control directly with their Latin American trading partners was an objective spelled out in the interagency U.S. Strategy To Control the Diversion of Drug-Essential Chemicals approved in 1994.

International cooperation among enforcement agencies also improved, particularly when it was directed at specific, identifiable cases of diversion. For example, Indian authorities moved quickly to effectively control commerce in Indian-manufactured ephedrine and pseudoephedrine when it was demonstrated that it was being routed through Guatemala and Mexico to methamphetamine labs in California. The Indian Government now notifies DEA of every export of ephedrine and pseudoephedrine, and DEA is able to research its data banks and advise the Indian authorities of possible risks of diversion regardless of the recipient country.

Cooperation between US and German enforcement authorities is also good. In 1995, it resulted in the suspension of several large shipments of ephedrine and essential chemicals intended for Central and South America. Czech and Swiss authorities have also been quick to react when presented with evidence of diversion from shipments originating or transshipping these countries.

Our goal is to continue and expand the ad hoc cooperation until sharing of information on proposed transactions in regulated chemicals is routine. We need to demonstrate that all sources of information need to be queried, not only those in the exporting and importing countries, and that information sharing can occur without jeopardizing commercial confidentiality.

With this objective, we proposed to the Dublin Group in October 1995 a meeting of chemical control experts from interested governments to consider practical measures to improve cooperation, particularly, information sharing. The meeting will seek to identify the most important items of information that need to be shared, the means of protecting and transmitting the information, and the procedures and extent to which governments can participate in such as system while respecting their national information protection laws.

Is chemical control worth the effort? Drug trafficking is a clandestine enterprise, and hard facts on the impact of chemical control are difficult to obtain. However, there have been some reports. In the summer of 1995, before India's stricter controls were fully in place, a ton of ephedrine could be purchased on the black market for approximately \$54,000; in December 1995, the same amount was demanding a price of approximately \$80,000. Acetic anhydride prices in Pakistan are reportedly going up because of improved Indian controls over diversion and smuggling from its domestic production. Our Embassy in Lima, Peru reports that diminished availability and increased prices of essential chemicals due to enforcement efforts appears to have contributed to a severe reduction in the earnings of coca farmers (who as the primary coca leaf processors are the main consumers chemicals essential to cocaine base processing).

These results, which indicate greater difficulty and expense for traffickers in manufacturing drugs, were obtained largely through regulatory measures involving fewer personnel and much less risk to them than more traditional law measures directed at stopping the drugs after they are manufactured. Despite the difficulties of implementation, chemical control is contributing now to our comprehensive drug control strategy, and has the potential to make a greater, cost-effective contribution as the national control regimes of other governments become more effective and international cooperation evolves and improves.

## **FINANCIAL CRIMES AND MONEY LAUNDERING**

There were a number of significant developments in the money laundering sphere in 1995:

- A Presidential Decision Directive announced in October through which US agencies intend to identify and, if necessary, impose sanctions on the most egregious offenders among governments and banks which analysis indicates are facilitating the movement of proceeds of a variety of serious crimes, including drug trafficking, arms smuggling, sanctions violations and other offenses;

- Agreements on standards and objectives reached through the communique issued at the conclusion of the Summit of the Americas Ministerial Conference on Money Laundering, which established an action plan for the 34 governments of this Hemisphere;

- Continued progress of the Financial Action Task Force, including the conclusion of the first round of mutual evaluations of each of its 26 members; consideration of proposals to update FATF's universally-accepted 40 recommendations to reflect new typologies and methodologies; the beginning of evaluations of members of the Caribbean FATF; the further enhancement of the Asian outreach program; the creation of a common forum for major international bankers and government policymakers; and the convening of an international conference of financial intelligence units;

- Continued effectiveness of US agencies in cooperation with foreign governments on major money laundering cases; and

- Several financial center governments, such as the Bahamas and Panama, adopted broad, new anti-money laundering policies and/or laws, while a number of governments were in the final stages of presenting/adopting new legislation.

On October 21, 1995, President Clinton signed Executive Order 12978 utilizing the sanctions authority of the International Emergency Economic Powers Act (IEEPA) for the first time against 80 designated individuals and businesses found to be significant foreign narcotics traffickers, including those who assist in laundering trafficker proceeds via financial transactions. The Order blocks the assets in the United States and US banks overseas of these traffickers, their front companies and individuals acting on their behalf and prohibits US persons from commercial and financial dealings with them. The Treasury Department published a list of target companies and individuals and notified US companies and banks to block their assets and prohibit trade with them.

## METHODOLOGY FOR ESTIMATING ILLEGAL DRUG PRODUCTION

**How much do we know?** This report contains tables showing a variety of illicit narcotics-related data. While these numbers represent the USG's best effort to sketch the dimensions of the international drug problem, the picture is not as precise as we would like it to be. The numbers range from cultivation figures, relatively hard data derived by proven means, to crop production and drug yield estimates, softer figures where many more variables come into play. *We publish these numbers with an important caveat: the yield figures are potential, not actual numbers. Although they are useful for examining trends, they are only approximations. They should not be treated as hard data.*

Since much information is lacking on yields, the numbers are subject to revision as more data become known. The nature of the illegal drug trade, in which the traffickers take great pains to maintain the security of their activities, makes it difficult to develop precise information. This is particularly relevant given the tremendous geographic areas that must be covered, and the difficulty of collecting reliable information in diverse and treacherous terrain.

**What We Know with Reasonable Certainty.** The most reliable information we have on illicit drugs is how many hectares are under cultivation. For more than a decade and a half, the USG has estimated the extent of illicit cultivation in a dozen nations using proven methods similar to those used to estimate the size of licit crops at home and abroad. We can thus estimate the area under cultivation with reasonable accuracy.

**What we know with less certainty.** Where crop yields are concerned, the picture is less clear. How much of a finished product a given area will produce is difficult to estimate, since small changes in such factors as soil fertility, weather, farming techniques, and disease can produce widely varying results from year to year and place to place. In addition, most illicit drug crop areas are inaccessible to the USG, making scientific information difficult to obtain. Moreover, we must stress that even as we refine our methods of analysis, we are estimating potential crop available for harvest.

Not all of these estimates not allow for losses, which could represent up to a third or more of a crop in some areas for some harvests. Thus the estimate of the potential crop is useful in providing a theoretical, comparative analysis from year to year, but the actual quantity of final product remains elusive.

Since cocaine has been at the top of the USG's drug-control priority list, the USG has been trying to develop better yield data. USG confidence in coca leaf yield estimates has risen in the past few years, based upon the results of field studies conducted in Latin America. Four years ago, after completing preliminary research, the USG for the first time began to make its own estimate of dry coca leaf yields for Bolivia and Peru instead of relying solely on reports from the governments of those countries. Additional research and field studies have helped refine these estimates and make similar improvements possible in estimates of other drug crops. *In all cases, multiplying average yields times available hectarage indicates only the potential, not the actual final drug crop available for harvest.*

**Harvest Estimates.** Estimating the quantities of coca leaf, opium gum, and cannabis actually harvested and available for processing into finished narcotics remains a major challenge. While we are making progress, at this time we cannot accurately estimate this amount with precision for any illicit crop in any nation.

While farmers naturally have strong incentives to maximize their harvests of what is almost always their most profitable cash crop, the harvest depends upon the efficiency of farming practices and the wastage caused by poor practices or difficult weather conditions during and after harvest. Up to a third or more of a crop may be lost in some areas during harvests.

In addition, mature coca (three to six years old), is more productive than immature or aging coca. Variations such as these can dramatically affect potential yield and production. Furthermore, if we continue to see limitations in the expansion of new coca we may begin to see dramatic declines in the next few years in productivity of existing fields. Factors such as this will produce fluctuations in estimates.

Additional information and analysis may enable us to make adjustments for these factors in the future. Similar deductions for local consumption of unprocessed coca leaf and opium may be possible as well through the accumulation of additional information and research.

**Processing Estimates.** The wide variation in processing efficiency achieved by traffickers complicates the task of estimating the quantity of cocaine or heroin that could be refined from a crop. These variations occur because of differences in the origin and quality of the raw material used, the technical processing method employed, the size and sophistication of laboratories, the skill and experience of local workers and chemists, and decisions made in response to enforcement pressures. (See Yield Estimates below.)

The actual amount of dry coca leaf or opium converted into a final product during any time period remains unknown, given the possible losses noted earlier. There are indications, however, that cocaine processing efficiencies may not be as high as previously supposed, leaving traffickers with considerable room for improvement. Nevertheless, increasing seizure rates can affect the future profitability of the industry, and raise the cost of doing business.

**Figures Will Change as Techniques and Data Quality Improve.** Are this year's figures definitive? Almost certainly not. Additional research will produce revisions to USG estimates of potential drug production. This is typical of annualized figures for most other areas of statistical tracking--whether it be the size of the US wheat crop, population figures, or the unemployment rate--that must be revised year to year. For the present, however, these statistics represent the state of the art. As new information becomes available and as the art improves, so will the precision of the estimates.



## STATUS OF POTENTIAL WORLDWIDE PRODUCTION

In evaluating the figures below, one must bear in mind that they are theoretical. They represent estimates of potential production--the amounts that the USG estimates could have been produced if, and only if, all available crops were to be converted into finished drugs. Since these estimates make no allowance for losses, actual production is probably lower than our estimates. The figures shown are mean points in a statistical range.

**Potential Opium Production.** In **Southeast Asia**, estimated opium cultivation and production in the Golden Triangle countries rose substantially in 1995. According to USG estimates, in 1995, growers in Burma, Laos, and Thailand cultivated an estimated 175,470 hectares of opium poppy, potentially yielding 2,545 metric tons of opium gum. This is a five percent increase in estimated cultivation and a 19 percent increase in production over the 167,230 hectares and 2,132 metric tons estimated for 1994.

In **Burma**, estimated opium poppy cultivation increased by some five percent to 154,070 hectares over the 146,600 hectares reported for 1994. Estimated production rose by 15 percent to 2,340 metric tons compared to the 2,030 metric tons reported last year. Excellent weather conditions were largely responsible for the increase in the crop. In **Laos**, estimated cultivation also increased by six percent to 19,650 hectares from the 1994 figure of 18,520 hectares, estimated production more than doubled to 180 metric tons. Estimated opium poppy cultivation in **Thailand** decreased by approximately 17 percent to 1,750 hectares from the 2,110 hectares observed last year. Thailand had an estimated potential production of 25 metric tons--47 percent more than the 17 metric tons estimated in 1994. In 1995, the USG's second survey of **China's** Yunnan Province located 1,275 hectares of opium poppy, with an estimated potential yield of 16 metric tons of gum, a 36 percent drop in estimated potential production.

Opium poppy cultivation in **Southwest Asia** increased for the second year in a row. Total hectarage in Afghanistan and Pakistan increased by 25 percent, from 36,540 hectares in 1994 to 45,690 hectares at the end of 1995. All of the increase occurred in **Afghanistan**, which is still the world's second largest opium producer. Afghan hectarage increased from 29,180 hectares in 1994 to 38,740 hectares in 1995. This represents a rising trend from the 17,190 hectares that were under cultivation in 1989. Potential production rose 32 percent from an estimated 950 metric tons in 1994 to 1,250 metric tons in 1995. In **Pakistan**, opium cultivation dropped in 1995. Hectarage fell from 7,270 hectares in 1994 to 6,950 hectares at the end of 1995. Estimated potential production fell correspondingly from 160 metric tons in 1995 to 155 metric tons in 1995. **India's** illicit cultivation declined from 5,500 hectares of opium poppy, with a potential yield of 82 metric tons of gum in 1994 to 4,750 hectares potentially producing 71 metric tons of opium in 1995. We have no firm data about poppy cultivation or opium production in **Iran**. The USG estimated in 1992 that Iran had approximately 3,500 hectares of opium poppy with a potential yield of 35 metric tons to 70 metric tons. There has been no new information in 1994.

The USG is still examining the illicit drug crop situation in Russia, the Baltics, and the Central Asian countries formerly part of the Soviet Union. While some of these countries may be able to produce significant opium poppy harvests, the USG still lacks sufficient data to identify and measure all suspected cultivation areas.

In the **Western Hemisphere**, the opium poppy growing countries have maintained active crop control efforts despite continuing campaigns by criminal organizations to expand the areas under cultivation. In **Colombia**, the first USG survey of opium poppy determined that cultivation was a third less than the 20,000 hectares previously estimated by local officials. The USG estimates Colombian poppy cultivation to be 6,540 hectares, based on three crops per year. Alkaloid content remains low, though there are indications that yields have markedly increased as farmers have improved their methods. **Mexico's** opium poppy cultivation in 1995 was an estimated 5,050 hectares, down from the 1994 estimate of 5,795 hectares. The potential yield is 53 metric tons, down from 1994's estimate of 60 metric tons. **Guatemala's** poppy cultivation remains at minimal levels after government efforts eradicated 86 hectares.

**Coca Cultivation.** Worldwide coca cultivation rose to a new record, 214,800 hectares in 1995, exceeding 1992's high of 211,700 hectares. In **Peru**, cultivation grew 6.2 percent to 115,300 hectares. Despite an active eradication program, **Colombia** also experienced an increase in coca cultivation to 50,900 hectares at the end of 1995. This was a 13 percent increase over the 1994 total of 45,000 hectares. In **Bolivia**, government forces eradicated 5,493 hectares, leaving 48,600 hectares under cultivation. This is a negligible increase over 1994's estimate of 48,100 hectares. Some coca is cultivated in inaccessible areas of **Brazil**, but its extent is unknown. Ecuador has only negligible amounts of coca.

## **COCAINE YIELD ESTIMATES**

The cocaine yield figure is offered with the same caveat as the crop harvest yield data: it is a figure representing potential production. It is a theoretical number. It does not in every case allow for losses or the many other variables that one would encounter in a "real world" conversion from plant to finished drug. In fact, the amount of cocaine HCl actually produced is probably lower. A USG team that studied cocaine processing in Bolivia's Chapare region in 1993 found that in the laboratories under observation processing efficiency was lower than previously thought. The estimate for Bolivia has been reduced accordingly and the figure published as a point estimate rather than as a range. The Drug Enforcement Administration will publish the findings of this study separately.

In 1995, taking into account estimates of local consumption and local seizures, the USG calculates that if virtually every coca leaf were converted into cocaine HCl, and there were no losses because of inefficiencies, bad weather, disease, or the deterrent effects of law enforcement, 780 metric tons of cocaine HCl theoretically could have been available from Colombia, Bolivia, and Peru for worldwide export. This figure includes 460 metric tons

potentially available from Peru, 240 metric tons potentially available from Bolivia, and approximately 80 metric tons potentially available from Colombia. In publishing these numbers, we repeat our caveat that these are theoretical numbers, useful for examining trends. Though research is moving us closer to a more precise cocaine yield estimate for Latin America, we do not yet know for certain the actual amount available for distribution.

## **CONSUMPTION DATA**

Most of the chapters in this report contain some user or consumption data. For the most part, these are estimates provided by foreign governments or informal estimates by USG agencies. There is no way to vouch for their reliability. They are included because they are the only data available and give an approximation of how governments view their own drug abuse problems. They should not be considered as a source of data to develop any reliable consumption estimates.

## **MARIJUANA PRODUCTION.**

Cannabis cultivation dropped in **Mexico** in 1995 to 6,900 hectares with a potential yield of 3,560 metric tons. This is a 35 percent drop from 1994's figure of 10,550 hectares. Mexican law enforcement agencies eradicated, 11,750 hectares of cannabis in 1995. In **Colombia's** traditional cannabis growing zones, where intensive eradication in previous years had virtually destroyed the crop, there was a resurgence of cultivation in 1993 to an estimated 5,000 hectares. That estimate did not change in 1995. Crop yield is estimated at 4,133 metric tons for 1994. **Jamaica's** cannabis crop was down in 1995 to 305 hectares, from 308 hectares in 1994. The 1995 potential yield was 206 metric tons, two metric tons less than the 1994 figure of 208 metric tons. We recognize that there may be considerable undetected cannabis cultivation in Central and East Asia, and on the African continent. As we gather more accurate information, we will report on significant findings in future INCSRs.

# Illicit Drug Cultivation 1987-1995

Country	1995	1994	1993	1992	1991	1990	1989	1988	1987
	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated	Hectares Cultivated
<b>Opium Poppy</b>									
Afghanistan	38,740	29,180	21,080	19,470	17,190	12,370	18,650	23,000	18,500
India	-	5,500	4,400	-	-	-	-	-	-
Iran*	-	-	-	-	-	-	-	-	-
Pakistan	6,950	7,270	6,280	8,170	8,205	8,220	6,050	11,588	9,970
<b>Total SW Asia</b>	<b>45,690</b>	<b>41,950</b>	<b>31,760</b>	<b>27,640</b>	<b>25,395</b>	<b>20,590</b>	<b>24,700</b>	<b>34,588</b>	<b>28,470</b>
Burma	154,070	146,600	165,800	153,700	160,000	150,100	143,000	104,200	76,021
China	1,275	1,965	-	-	-	-	-	-	-
Laos	19,650	18,520	26,040	25,610	29,625	30,580	42,130	40,400	-
Thailand	1,750	2,110	2,880	2,050	3,000	3,435	4,075	2,843	2,934
<b>Total SE Asia</b>	<b>176,745</b>	<b>169,195</b>	<b>194,720</b>	<b>181,360</b>	<b>192,625</b>	<b>184,115</b>	<b>189,205</b>	<b>147,443</b>	<b>78,955</b>
Colombia	6,540	20,000	20,000	20,000	1,160	-	-	-	-
Lebanon	150	-	440	-	3,400	3,200	4,500	-	-
Guatemala	39	50	438	730	1,145	645	1,220	710	-
Mexico	5,050	5,795	3,960	3,310	3,765	5,450	6,600	5,001	5,160
<b>Total Other</b>	<b>11,779</b>	<b>25,845</b>	<b>24,838</b>	<b>24,040</b>	<b>8,310</b>	<b>9,295</b>	<b>12,320</b>	<b>5,711</b>	<b>5,160</b>
<b>Total Opium Poppy</b>	<b>234,214</b>	<b>236,990</b>	<b>251,318</b>	<b>233,040</b>	<b>226,330</b>	<b>214,000</b>	<b>226,225</b>	<b>187,742</b>	<b>112,585</b>
<b>Coca</b>									
Bolivia	48,600	48,100	47,200	45,500	47,900	50,300	52,900	48,500	40,300
Colombia	50,900	44,700	39,700	37,100	37,500	40,100	42,400	27,000	25,000
Peru	115,300	115,300	108,600	129,100	120,800	121,300	120,000	110,500	109,500
Ecuador	-	-	-	-	40	120	150	240	410
<b>Total Coca</b>	<b>214,800</b>	<b>208,100</b>	<b>195,500</b>	<b>211,700</b>	<b>206,240</b>	<b>211,820</b>	<b>215,450</b>	<b>186,240</b>	<b>175,210</b>
<b>Cannabis</b>									
Mexico	6,900	10,550	11,220	16,420	17,915	35,050	53,900	5,003	9,000
Colombia	5,000	4,986	5,000	2,000	2,000	1,500	2,270	4,188	13,005
Jamaica	305	308	744	389	950	1,220	280	607	1,330
Belize	-	-	-	54	54	65	75	132	1,088
<b>Total Cannabis</b>	<b>12,205</b>	<b>15,844</b>	<b>16,964</b>	<b>18,863</b>	<b>20,919</b>	<b>37,835</b>	<b>56,525</b>	<b>9,930</b>	<b>24,423</b>

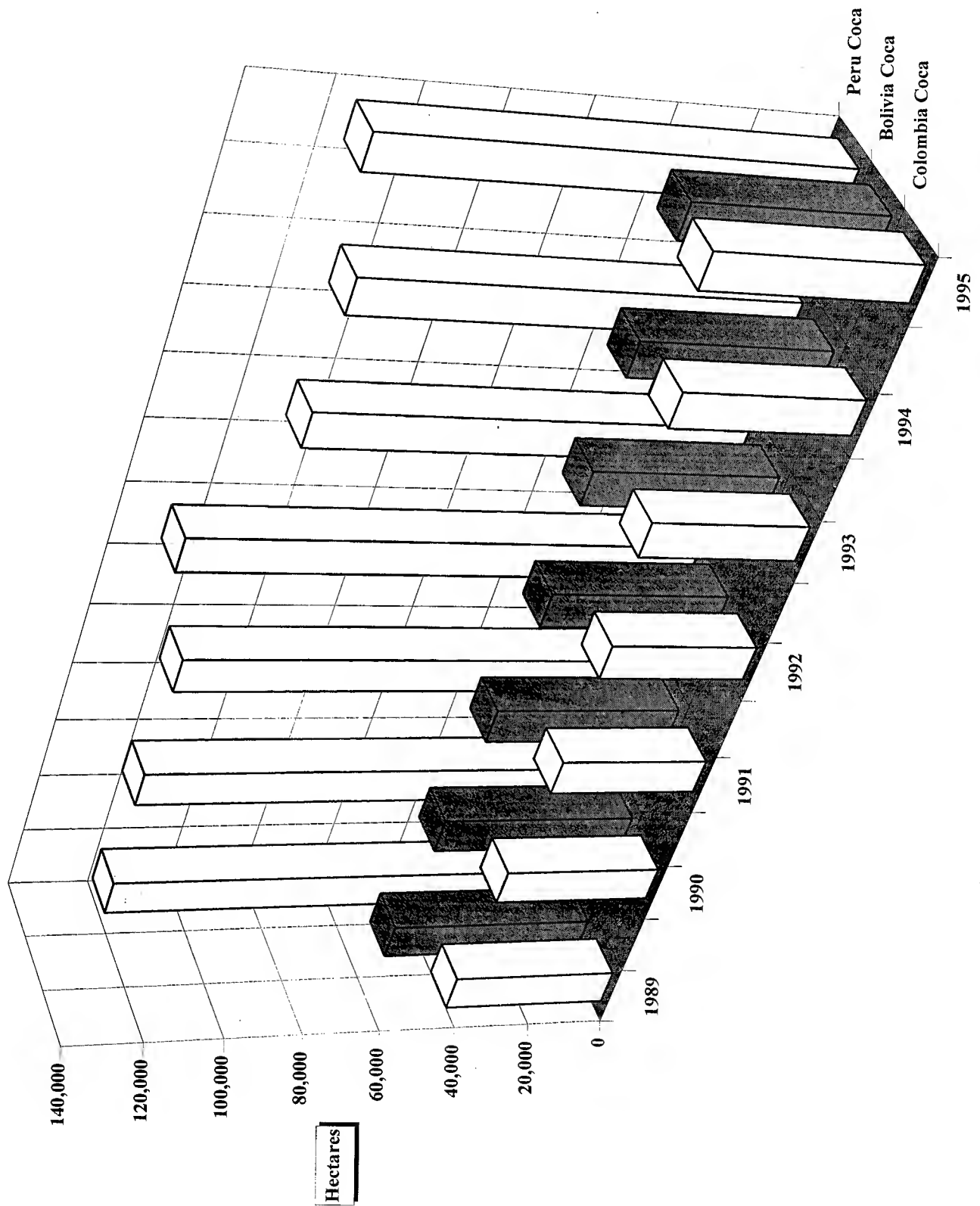
\* While we do not have solid data, the USG estimated in 1992 that Iran may have 3,500 hectares of opium poppy under cultivation. That estimate did not change in 1995.

# Estimated Worldwide Potential Illicit Drug Net Production 1987-1995

(metric tons)

Country	1995	1994	1993	1992	1991	1990	1989	1988	1987
<b>Opium</b>									
Afghanistan *	1,250	950	685	640	570	415	585	750	600
India	71	82	66	-	-	-	-	-	300
Iran **	-	-	-	-	-	-	-	-	205
Pakistan	155	160	140	175	180	165	130	205	1,105
Total SW Asia	1,476	1,192	891	815	750	580	715	955	835
<b>Burma</b>	2,340	2,030	2,575	2,280	2,350	2,255	2,430	1,280	-
China	16	25	-	-	-	-	-	-	-
Laos	180	85	180	230	265	275	380	255	225
Thailand	25	17	42	24	35	40	50	25	24
Total SE Asia	2,561	2,157	2,797	2,534	2,650	2,570	2,860	1,560	1,084
<b>Colombia</b>	65	-	-	-	-	-	-	-	-
Lebanon	1.5	-	4	-	34	32	45	-	-
Guatemala	-	-	4	-	17	13	12	8	3
Mexico	53	60	49	40	41	62	66	67	50
Total Above	120	60	57	40	92	107	123	75	53
<b>Total Opium Gum</b>	4,157	3,409	3,745	3,389	3,492	3,257	3,698	2,590	2,242
<b>Coca Leaf</b>									
Bolivia	85,000	89,800	84,400	80,300	78,000	77,000	77,600	78,400	79,200
Colombia	40,800	35,800	31,700	29,600	30,000	32,100	33,900	27,200	20,500
Peru	183,600	165,300	155,500	155,500	222,700	196,900	186,300	187,700	191,000
Ecuador	-	-	100	100	40	170	270	400	400
<b>Total Coca Leaf</b>	309,400	290,900	271,700	265,500	330,740	306,170	298,070	293,700	291,100
<b>Cannabis</b>									
Mexico	3,650	5,540	6,280	7,795	7,775	19,715	30,200	5,655	5,933
Colombia	4,133	4,138	4,125	1,650	1,650	1,500	2,800	7,775	5,600
Jamaica	206	208	502	263	641	825	190	405	460
Belize	0	0	0	0	49	60	65	120	200
Others	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	1,500
<b>Total Cannabis</b>	11,489	13,386	14,407	13,208	13,615	25,600	36,755	17,455	13,693

# Andean Coca Cultivation 1989-1995



### Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
<i>Signed and Ratified</i>		
1 Afghanistan	20-Dec-88	14-Feb-92
2 Algeria	20-Dec-88	5-May-95
3 Antigua and Barbuda	accession	5-Apr-93
4 Argentina	20-Dec-88	28-Jun-93
5 Armenia	accession	13-Sep-93
6 Australia	14-Feb-89	16-Nov-92
7 Azerbaijan	accession	22-Sep-93
8 Bahamas	20-Dec-88	30-Jan-89
9 Bahrain	28-Sep-89	7-Feb-90
10 Bangladesh	14-Apr-89	11-Oct-90
11 Barbados	accession	15-Oct-92
12 Belarus	27-Feb-89	15-Oct-90
13 Belgium	22-May-89	25-Oct-96
14 Bhutan	accession	27-Aug-90
15 Bolivia	20-Dec-88	20-Aug-90
16 Bosnia and Herzegovina	succession	1-Sep-93
17 Brazil	20-Dec-88	17-Jul-91
18 Brunei Darussalam	26-Oct-89	12-Nov-93
19 Bulgaria	19-May-89	24-Sep-92
20 Burkina Faso	accession	2-Jun-92
21 Burma	Ratified	11-Jun-91
22 Burundi	accession	18-Feb-93
23 Cameroon	27-Feb-89	28-Oct-91
24 Canada	20-Dec-88	5-Jul-90
25 Cape Verde	Accession	8-May-95
26 Chad	Accession	9-Jun-95
27 Chile	20-Dec-88	13-Mar-90
28 China	20-Dec-88	25-Oct-89
29 Colombia	20-Dec-88	10-Jun-94
30 Costa Rica	25-Apr-89	8-Feb-91
31 Cote d'Ivoire	20-Dec-88	25-Nov-91
32 Croatia	succession	26-Jul-93
33 Cyprus	20-Dec-88	25-May-90
34 Czech Republic	succession	30-Dec-93
35 Denmark	20-Dec-88	19-Dec-91
36 Dominica	accession	30-Jun-93
37 Dominican Republic	accession	21-Sep-93
38 European Economic Community	8-Jun-89	31-Dec-90
39 Ecuador	21-Jun-88	23-Mar-90
40 Egypt	20-Dec-88	15-Mar-91
41 El Salvador	accession	21-May-93
42 Ethiopia	accession	11-Oct-94
43 Fiji	accession	25-Mar-93
44 Finland	8-Feb-89	15-Feb-94
45 France	13-Feb-89	31-Dec-90



### Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
46 Germany	19-Jan-89	30-Nov-93
47 Ghana	20-Dec-88	10-Apr-90
48 Greece	23-Feb-89	28-Jan-92
49 Grenada	accession	10-Dec-90
50 Guatemala	20-Dec-88	28-Feb-91
51 Guinea	accession	27-Dec-90
52 Guyana	accession	19-Mar-93
53 Haiti	Accession	18-Sep-95
54 Honduras	20-Dec-88	11-Dec-91
55 India	accession	27-Mar-90
56 Iran	20-Dec-88	7-Dec-92
57 Italy	20-Dec-88	31-Dec-90
58 Japan	19-Dec-89	12-Jun-92
59 Jordan	20-Dec-88	16-Apr-90
60 Kenya	accession	19-Oct-92
61 Kyrgyzstan	accession	7-Oct-94
62 Latvia	accession	24-Feb-94
63 Lesotho	accession	28-Mar-95
64 Luxembourg	26-Sep-89	29-Apr-92
65 Macedonia, Former Yugoslav Rep.	accession	13-Oct-93
66 Madagascar	accession	12-Mar-91
67 Malaysia	20-Dec-88	11-May-93
68 Malawi	accession	12-Oct-95
69 Mauritania	accession	1-Jul-93
70 Mexico	16-Feb-89	11-Apr-90
71 Moldova	accession	19-Feb-95
72 Monaco	24-Feb-89	23-Apr-91
73 Morocco	28-Dec-88	28-Oct-92
74 Nepal	accession	24-Jul-91
75 Netherlands	18-Jan-92	8-Sep-93
76 Nicaragua	20-Dec-88	4-May-90
77 Niger	accession	10-Nov-92
78 Nigeria	1-Mar-89	1-Nov-89
79 Norway	20-Dec-88	1-Jan-94
80 Oman	accession	15-Mar-91
81 Pakistan	20-Dec-88	25-Oct-91
82 Panama	20-Dec-88	13-Jan-94
83 Paraguay	20-Dec-88	23-Aug-90
84 Peru	20-Dec-88	16-Jan-92
85 Poland	6-Mar-89	26-May-94
86 Portugal	13-Dec-89	3-Dec-91
87 Qatar	accession	4-May-90
88 Romania	accession	21-Jan-93
89 Russia	19-Jan-89	17-Dec-90
90 St. Kitts and Nevis	accession	19-Apr-95
91 St Lucia	accession	21-Aug-95
92 St. Vincent /G	accession	17-May-94



### Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
93 Saudi Arabia	accession	9-Jan-92
94 Senegal	20-Dec-88	27-Nov-89
95 Seychelles	accession	27-Feb-92
96 Sierra Leone	9-Jun-89	6-Jun-94
97 Slovakia	succession	28-May-93
98 Slovenia	succession	6-Jul-92
99 Spain	20-Dec-88	13-Aug-90
100 Sri Lanka	accession	6-Jun-91
101 Sudan	30-Jan-89	19-Nov-93
102 Suriname	20-Dec-88	28-Oct-92
103 Swaziland	accession	3-Oct-95
104 Sweden	20-Dec-88	22-Jul-91
105 Syria	accession	3-Sep-91
106 Trinidad/T	7-Dec-89	17-Feb-95
107 Togo	3-Aug-89	1-Aug-90
108 Tunisia	19-Dec-89	20-Sep-90
109 UAE	accession	12-Apr-90
110 Uganda	accession	20-Aug-90
111 Ukraine	16-Mar-89	28-Aug-91
112 United Kingdom	20-Dec-88	28-Jun-91
113 United States	20-Dec-88	20-Feb-90
114 Uruguay	19-Dec-89	10-Mar-95
115 Uzbekistan	Accession	14-Aug-95
116 Venezuela	20-Dec-88	16-Jul-91
117 Yugoslavia	20-Dec-88	3-Jan-91
118 Zambia	9-Feb-89	28-May-93
119 Zimbabwe	accession	30-Jul-93

#### Signed but pending ratification

1 Austria	25-Sep-89	
2 Cuba	7-Apr-89	
3 Gabon	20-Dec-89	
4 Holy See	20-Dec-88	not UN
5 Hungary	22-Aug-89	
6 Indonesia	27-Mar-89	
7 Ireland	14-Dec-89	
8 Israel	20-Dec-88	Awaiting Money Laundering Legislation
9 Jamaica	2-Oct-89	
10 Kuwait	2-Oct-89	
11 Maldives	5-Dec-89	
12 Mauritius	20-Dec-88	
13 New Zealand	18-Dec-89	
14 Philippines	20-Dec-88	
15 Switzerland	16-Nov-89	Not UN
16 Tanzania	20 dec 88	

### Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
17 Turkey	20-Dec-88	Awaiting Money Laundering Legislation
18 Yemen	20-Dec-88	
19 Zaire	20-Dec-88	

#### Other

1 Andorra		
2 Anguilla		Not UN
3 Armenia		
4 Aruba		Not UN
5 Belize		
6 Benin		
7 Bermuda		
8 Botswana		
9 BVI		Not UN
10 Cambodia		
11 Cape Verde		
12 Central African Republic		
13 Chad		
14 Comoros		
15 Congo		
16 Djibouti		
17 DPR Korea		
18 Estonia		
19 Gambia		
20 Georgia		
21 Haiti		
22 Hong Kong		Not UN
23 Iceland		
24 Iraq		
25 Kazakhstan		
26 Korea		
27 Laos		
28 Lebanon		
29 Lesotho		
30 Liberia		
31 Libya		
32 Liechtenstein		
33 Lithuania		
34 Mali		
35 Malta		
36 Marshall Islands		
37 Micronesia, Federated States of		
38 Mongolia		
39 Mozambique		
40 Namibia		
41 Papua New Guinea		
42 Samoa		

### Countries which have signed and/or ratified/acceded to the UN Convention

Country	Date Signed	Date Ratified/Acceded
43 SanMarino		
44 Sao Tome and Principe		
45 Singapore		Awaiting US Assistance in Draft Laws
46 South Africa		Plans to sign and ratify in 1993
47 Taiwan		Not UN
48 Tajikistan		
49 Thailand		
50 Tonga		
51 Turkmenistan		
52 Turks & Caicos		Not UN
53 Vanuatu		
54 Viet Nam		
6-Mar-96		

**INTERNATIONAL NARCOTICS and  
LAW ENFORCEMENT AFFAIRS  
FY 1997 BUDGET REQUEST  
(\$000)**

	FY 1995 Enacted -----	FY 1996 PLAN -----	FY1997 Request -----
<b>NARCOTICS PROGRAMS</b>			
<i>Latin America</i>			
Bahamas	700	700	800
Bolivia	28,219 *	15,000	50,000
Brazil	1,000	1,000	1,000
Colombia	26,000 *	16,000	25,000
Ecuador	500	500	850
Guatemala	2,100	2,100	2,000
Jamaica	600	1,000	800
Mexico	-- 1	-- 1	5,000
Peru	20,800 *	16,000	25,000
Venezuela	500	500	500
Latin America Regional	3,962	4,100	5,250
ESF Transfer to INL	--	20,000 2	--
<b>Subtotal</b>	<b>84,381</b>	<b>76,900</b>	<b>116,200</b>
<i>Asia/Africa/Europe</i>			
Laos	2,200	2,000	2,500
Pakistan	2,500	2,500	3,000
Thailand	1,800	1,500	4,000
Turkey	400	400	400
NIS/E.EUR Regional	--	3,900	4,000
Asia/Africa/ME Regional	1,450	1,500	5,000
<b>Subtotal</b>	<b>8,350</b>	<b>11,800</b>	<b>18,900</b>
<i>Interregional Aviation Support</i>	24,952	25,800	27,200
<b>Total Country Programs</b>	<b>117,683</b>	<b>114,500</b>	<b>162,300</b>
<i>International Organizations</i>	7,000	7,000	12,000
<i>Law Enforcement Training and Demand Reduction</i>	7,000	7,000	12,000
<i>Program Development and Support</i>	6,300	6,500	6,700
<b>TOTAL NARCOTICS PROGRAMS</b>	<b>137,983</b>	<b>135,000</b>	<b>193,000</b>

\* Includes FY 95 FMF funding (Bol. \$3.229 mil Col.\$10 mil) and ESF (Bol \$13.990 & Peru \$5.8 mil)

1 In FY 1995 and FY 1996 only P D & S support was provided to Mexico from the LA Reg. Account.

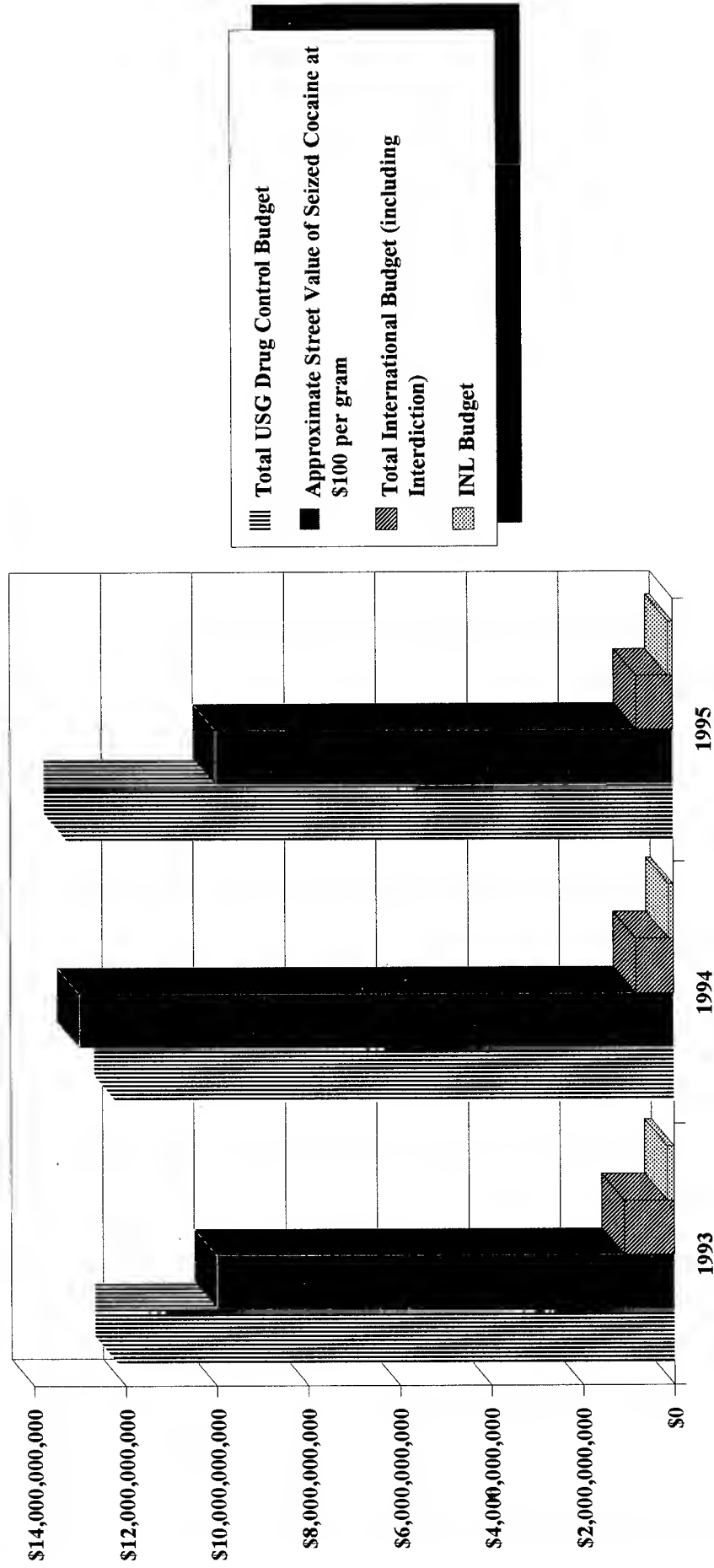
2 In FY 1996, \$20 mil ESF Counternarcotics funds were transferred from USAID to INL.

**FY 1995- FY 1997**  
**INTERNATIONAL NARCOTICS**  
**AND**  
**LAW ENFORCEMENT AFFAIRS**  
**BUDGET SUMMARY BY FUNCTIONAL ACTIVITY**  
**(DOLLARS IN THOUSANDS)**

1/	<b>FY 1995</b>	<b>% OF</b>	<b>FY 1996</b>	<b>% OF</b>	<b>FY 1997</b>	<b>% OF</b>
	<b>Enacted</b>	<b>Total</b>	<b>Plan</b>	<b>Total</b>	<b>Request</b>	<b>Total</b>
	-----	-----	-----	-----	-----	-----
Law Enforcement Assistance and Institution Development	59,564	43.2	63,300	44.4	95,000	49.2
Military Counternarcotics Support	13,229	9.6	12,500	8.8	7,500	3.9
Sustainable Development	19,790	14.3	20,000	14.0	30,000	15.5
Crop Control/Eradication	14,500	10.5	15,000	10.5	18,000	9.3
International Organizations	7,000	5.1	7,000	4.9	12,000	6.2
Drug Awareness/ Demand Reduction	2,450	1.8	3,200	2.2	5,000	2.6
Law Enforcement Training	5,700	4.1	5,000	3.5	8,000	4.1
Program Development and Support	15,750	11.4	16,500	11.6	17,500	9.1
	-----	-----	-----	-----	-----	-----
<b>TOTAL NARCOTICS PROGRAMS</b>	<b>137,983</b>	<b>100</b>	<b>142,500</b>	<b>100</b>	<b>193,000</b>	<b>100</b>

1 FY 1995 includes INL, Military and Economic Counternarcotics programs not appropriated to INL.

**Relative Value of USG Drug Control Budget versus Street Value of Cocaine Seizures 1993-1995**



## LEGISLATIVE BASIS FOR THE INCSR

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with §489 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2291).

The 1996 INCSR is the tenth annual report prepared pursuant to the FAA. In addition to addressing the reporting requirements of FAA §489, the INCSR provides the factual basis for the Presidential narcotics certification determinations for major drug producing and/or drug-transit countries required under FAA §490. FAA §490 requires that fifty percent of certain kinds of assistance be withheld at the start of each fiscal year from such countries, pending the President's March 1 certification determinations. If a country is not certified, most foreign assistance is cut off and the United States is required to vote against multilateral development bank lending to that country.

Among other things, the statute asks, with respect to each country that received INM assistance in the past two fiscal years, for a report on the extent to which the country has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances." FAA §489(a)(1)(A). Similarly, the President's certification determination depends in part on whether a country, during the previous year, has cooperated fully with the United States, or has taken adequate steps on its own, to achieve full compliance with the goals and objectives established by the 1988 UN Convention. FAA §490(b)(1)(A).

Although the Convention does not contain a list of goals and objectives, it does set forth a number of obligations that the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering, to control chemicals that can be used to process illicit drugs, and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to this evaluating performance under the 1988 UN Convention: illicit cultivation, production, distribution, sale, transport and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries are meeting the goals and objectives of the 1988 UN Convention, the Department has used the best information it has available. The 1996 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to mini-states, where drug issues and/or the capacity to deal with them are minimal. The reports vary in the extent of their coverage. For key drug-control countries, where considerable information is available, we have provided comprehensive reports. For some smaller countries where only sketchy information is available, we have included whatever data the responsible post could provide.

The country chapters report upon actions, including plans, programs, and, where applicable, timetables toward fulfillment of Convention obligations. Because the 1988 UN Convention's subject matter is so broad, and availability of information on elements related to performance under the Convention varies widely within and between countries, the Department's views on the extent to which a given country is meeting the goals and objectives of the Convention are based on the overall response of the country to those goals and objectives.

Some countries are not yet parties to the 1988 UN Convention. For such countries, we have nonetheless considered actions taken by those countries in areas covered by the Convention, and plans (if any) for becoming parties and for bringing their legislation into conformity with the Convention's requirements. For some of the very smallest countries, the Department has insufficient information to make a judgment as to whether the goals and objectives of the Convention are being met. In those instances, available information on counternarcotics activities has been provided.

Except as noted in the relevant country chapters, INL considers all countries with which the USG has bilateral narcotics agreements to be meeting the goals and objectives of those agreements.

As in the past, this year's INCSR provides the factual basis for the President's 1996 certification determinations made pursuant to FAA §490(b). It contains information in accordance with §489 of the FAA and §804 of the Trade Act of 1974, as amended.

#### **Statement on Certification**

FAA §490(b)(2) requires that, in making determinations regarding full certification, the President consider the extent to which each major drug producing or drug-transit country has:

met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances including action on such issues as illicit cultivation, production, distribution, sale, transport and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction;

accomplished the goals described in an applicable bilateral narcotics agreement with the United States, or a multilateral agreement; and

taken legal and law enforcement measures to prevent and punish public corruption--especially by senior government officials--that facilitates the production, processing, or shipment of narcotic and psychotropic drugs and other controlled substances, or that discourages the investigation or prosecution or such acts.

The statute provides, alternatively, that a country that cannot be certified under the foregoing standard may be certified on the grounds that "vital national interests of the United States require" that assistance be provided to and the United States not vote against multilateral development bank lending to such country. FAA §490(b)(1)(B).



**Major Drug Producing, Drug Transit, Significant Source, Precursor Chemical, and Money Laundering Countries.**

Section 489(a)(3) requires the USG to identify: (A) major illicit drug producing and major drug-transit countries, (B) major sources of precursor chemicals used in the production of illicit narcotics; and (C) major money laundering countries. These countries are identified below.

**Major Drug Producing and Drug-Transit Countries:**

A major illicit drug producing country is one in which: (A) 1,000 hectares or more of illicit opium poppy are cultivated or harvested during a year; (B) 1,000 hectares or more of illicit coca are cultivated or harvested during a year; or (C) 5,000 hectares or more of illicit cannabis are cultivated or harvested during a year, unless the President determines that such illicit cannabis production does not significantly affect the United States. FAA §481(e)(2).

A major illicit drug-transit country is one: (A) that is a significant direct source of illicit narcotic or psychotropic drugs or other controlled substances significantly affecting the United States; or (B) through which are transported such drugs or substances. FAA §481(e)(5).

The following are major drug producing and/or drug-transit countries  
Afghanistan, The Bahamas, Belize, Bolivia, Brazil, Burma, Cambodia, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Iran, Jamaica, Laos, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Syria, Taiwan, Thailand, Venezuela, and Vietnam.

**Major Precursor Chemical Source Countries:**

The following countries are major sources of precursor or essential chemicals used in the production of illicit narcotics: Argentina, Brazil, China, Germany, India, Mexico, and the Netherlands.

**Major Money Laundering Countries:**

A major money laundering country is one whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking. FAA §481(e)(7). The following countries fall into this category: Argentina, Aruba, Brazil, Canada, Cayman Islands, Colombia, Costa Rica, Ecuador, Germany, Hong Kong, India, Italy, Japan, Liechtenstein, Luxembourg, Mexico, the Netherlands, Netherland Antilles, Nigeria, Pakistan, Panama, Paraguay, Russia, Singapore, Spain, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, and Venezuela.

## INTERNATIONAL TRAINING

International anti-narcotics training is managed and funded by INL, and carried out by the DEA, U.S. Customs Service, and U.S. Coast Guard. Major objectives are: contributing to the basic infrastructure for carrying out counternarcotics law enforcement activities in countries which cooperate with the U.S.; improving technical skills of drug law enforcement personnel in these countries; and increasing cooperation between U.S. and foreign law enforcement officials. Over 5,000 persons participated in the U.S. Government's international narcotics control training program in FY 1995.

INL training has become increasingly focused on encouraging foreign law enforcement agency self-sufficiency through infrastructure development. The effectiveness of our counternarcotics efforts overseas should be viewed in terms of what has been done to bring about the establishment of effective host country enforcement institutions, thereby taking drugs out of circulation before they begin their journey toward the U.S. U.S. law enforcement personnel stationed overseas are increasingly coming to see their prime responsibility as promoting the creation of host government systems which are compatible with and serve the same broad goals as ours. Many U.S. Embassies and foreign governments commented during the course of the year on the benefits of INL-sponsored training, in terms of both the effect it had on assisting to form more professional foreign law enforcement institutions, as well as increasing the number of successful narcotics investigations and seizures.

During FY 1995, law enforcement training devoted increased attention to the development and support of infrastructure building, particularly in the CAS (as evidenced by the participation of the five countries in numerous in-country and regional training programs). In addition, law enforcement training addressed the continuing problem of heroin trafficking and abuse. Programs were provided to opium production and transit countries where USG access has improved recently (e.g., Burma, Cambodia and Vietnam).

INL-funded training will continue to support the major U.S. and international strategies for combatting narcotics trafficking worldwide. Emphasis will be given to promoting training on a regional basis, and to contributing to the activities of international organizations, such as the UNDCP and the OAS. Through the meetings of major donors, the Dublin Group, UNDCP and other international fora, we will coordinate with other providers of training, and urge them to shoulder greater responsibility in providing training which serves their particular strategic interests.

Programs dealing with financial crimes (i.e., methods for promoting asset seizure and combatting money laundering) will continue to expand. INL will maintain its role of coordinating the activities of U.S. law enforcement agencies in response to assistance requests from U.S. Embassies. This will avoid duplication of effort, and ensure that presentations represent the full range of U.S. Government policies and procedures.

## TRAINING STATISTICS

	Number of Participants	Number of Programs
<b>Drug Enforcement Administration</b>		
Training in U.S.:		
Executive Observation Program	40	8
Special Observation Program	15	8
International Visitors Program	514	6
Forensic Chemist Seminar	40	2
Int'l Narcotics Enf. Mgt. Seminar	97	4
Training in Host Countries:		
In-Country Drug Enforcement Seminar	384	11
Advanced Drug Enforcement Seminar	203	7
Regional Executive Leadership Sem.	18	2
International Asset Forfeiture Sem.	133	4
Airport Operations	108	3
Methods of Instruction	35	2
Other	253	12
Subtotal	1,840	69
<b>U.S. Customs Service</b>		
Training in U.S.:		
Executive Observation Program	38	8
International Visitor Program	516	131
Mid-Management Seminar	17	1
Training in Host Countries:		
Overseas Enforcement Training	581	21
Contraband Enforcement Team	127	4
Train-the-Trainer Workshop	140	11
Money Laundering Seminar	90	2
Carrier Initiative Training	966	11
Subtotal	2,475	189
<b>U.S. Coast Guard</b>		
Training in Host Countries:		
Maritime Law Enforcement	604	29
Port Security and Safety Course	62	3
Subtotal	666	32
<b>Other INL-Sponsored Training</b>		
Narcotics Detector Dog Training	17	5
<b>TOTAL INL TRAINING FY 95</b>	<b>4,998</b>	<b>295</b>

## **OTHER US ASSISTANCE PROVIDED**

Section 489 (b)(2)(B) requires the INCSR submission to include a report specifying the assistance provided by the United States to support international narcotics control efforts. In addition to the budget for INL, which is provided in the Executive Summary, the report is also to include information on assistance provided or to be provided by the Drug Enforcement Administration, the U.S. Customs Service, and the U.S. Coast Guard to various countries, and information on any assistance provided or to be provided by such governments to those agencies. This information has been prepared by the three agencies and is provided in this section.

## **DRUG ENFORCEMENT ADMINISTRATION**

The preeminent responsibility of the Drug Enforcement Administration (DEA) is to reduce and ultimately minimize the impact posed by illicit drugs to our nation. All cocaine and heroin as well as some marijuana and other dangerous drugs are produced outside the United States. These illicit drugs are smuggled from the countries of their source, usually through other countries to the US. Therefore, the reduction of illicit drug availability in the US requires a strong international counternarcotics strategy. In cooperation and coordination with other nations, as well as other US agencies, DEA strives to concurrently suppress illicit drug production; disrupt the availability of these drugs in the distribution chain; arrest and prosecute those involved in any aspect of illegal drug trafficking; and seize their profits and assets.

The primary contribution of DEA in implementing our international counternarcotics strategy is accomplished through the 70 offices that DEA maintains in 49 countries worldwide. The DEA overseas mission is fivefold: (1) conduct bilateral investigative activities, (2) coordinate intelligence gathering, (3) engage in foreign liaison, (4) coordinate training programs for host country police agencies, and (5) assist in the development of host country drug law enforcement institutions.

In most countries where DEA maintains offices, DEA carries out all of the above functions with emphasis determined on the basis of the conditions existing in each country. In a few cases, where the level of drug trafficking is minimal, or the Host Nation's drug enforcement system is advanced, DEA Country Office may limit its function to selected activities instead of the full range of programs indicated above.

With the exception of DEA's training mission which is addressed elsewhere, the following are a few examples of the assistance DEA provided host nation counterparts in furtherance of our mission during 1995:

(1) Bilateral Investigations: DEA's Country Offices work with elements of the Host Nations (HN) Law Enforcement Agencies (LEA) to investigate activities of drug traffickers that lead to indictments and prosecutions in either the host country, the US or a third country. Whenever appropriate and feasible, intelligence information on major traffickers operating in host countries is shared with HN LEAs to enhance their investigative knowledge. Some examples of DEA's work with HN LEAs follow:

In **Colombia**, DEA led the United States government (USG) sponsored portion of the bilateral investigations which resulted in the dismantling of the Cali cocaine mafia by the Colombian National Police (CNP). The capture of the Rodriguez-Orejuela brothers and Jose Santacruz-Londono in the summer of 1995 were unprecedented actions against the Cali drug mafia. Prior to these arrests, the Cali drug mafia leadership had operated with virtual impunity for over 15 years.

Other joint investigative programs in Colombia resulting in tremendous successes were the Selva Verde and Skyweb programs. Operation Selva Verde targets the production and transportation vulnerabilities of the Cali cocaine mafia throughout Colombia. During 1995, the program resulted in the seizure of 25 metric tons of cocaine products (Base/HCl), 63 metric tons of marijuana, 120 kilograms of heroin/morphine and the destruction of 52 major cocaine production facilities. Skyweb which began in October 1995, targets the Cali mafia's general aviation aircraft fleet. During its initial 30 day period of operation, CNP investigators, supported by DEA Special Agent Advisors, seized 22 trafficker aircraft valued at \$36 million.

In **Thailand**, during 1994, DEA initiated Operation Tiger Trap in support of the US Embassy Country Team counternarcotics aim to increase the Thai Government's focus on drug trafficking as a national security issue. Operation Tiger Trap is the most significant US and Thai cooperative enforcement and prosecution effort directed at the hierarchy of the Shan United Army (SUA). The goal of Operation Tiger Trap was to reduce the heroin supply to the United States by disrupting SUA heroin trafficking operations in Thailand. On October 31, 1995, continued joint operations between the Royal Thai Police and DEA resulted in the arrest of CHANG Yin-Lung. Chang is a high ranking member of the SUA. He was arrested at his residence in Ban Tham, an ethnic Chinese village in Chiang Rai Province. CHANG's Shan United Army base of operation was in Mong Tai/Mong Taw, Burma, where he managed heroin refineries. CHANG was the eleventh suspect apprehended under the Tiger Trap Operation.

Throughout 1995, the trafficking activities of Khun Sa and the Shan United Army (SUA) had been seriously hampered and disrupted by local events that also affected Khun Sa's authority and the security of the SUA. Based on coaxing from DEA, the Thai government officially closed the Thai-Burma border adjacent to SUA-controlled territory in late 1994 and continued their border enforcement throughout 1995. This effectively restricted the flow of necessary supplies that the SUA required to sustain its forces, resupply its refineries, and transport heroin into Thailand. In addition, military pressure from the Burmese Army, the arrest of the Tiger Trap defendants, and the internal power struggles within the SUA served to disrupt operations of the SUA.

During 1995, the Ankara, **Turkey** Country Office, in conjunction with the Turkish National Police, conducted an investigation of Jafaar Rayhani, a major heroin distributor and money launderer. Rayhani was the focus of an international investigation involving other European countries as well as the United States. The investigation resulted in an indictment against Rayhani in the Southern District of California for money laundering. He is now in prison in Los Angeles awaiting trial. To date, over seven million dollars in assets, belonging to Rayhani have been seized in the United States, and over three million dollars in Europe. This operation also identified associates of the defendant in many European countries.

In September 1995, Peruvian authorities seized a Bolivian-registered DC-6 aircraft carrying a shipment of 4, 175 kilograms of cocaine HCL in Lima, **Peru** based on investigative information provided by the La Paz, **Bolivia** Country Office. The cocaine was hidden inside a shipment of furniture destined for Mexico. In a follow-up joint investigation, Bolivian authorities and DEA learned that many Bolivian police and airport personnel were involved in facilitating this four ton shipment. As a direct result of this investigation, the Bolivian Minister of Government, Carlos Sanchez Berzain, ordered a major shake-up of the Fuerza Especial de la Lucha Contra Narcoticos the Bolivian counternarcotics police.

In September 1995, a bilateral investigation between the DEA Tegucigalpa, **Honduras** Country Office and the national police force, Fuerza Seguridad Publica, resulted in the seizure of 120 kilograms of cocaine. Vehicles with false compartments were being used to transport the cocaine from **Panama** to **Guatemala**.

In **Jamaica**, DEA initiated Operation Prop Lock which proved to be one of the most successful collaborative efforts in the Caribbean. The goal of the operation was to reduce drug-related smuggling through the Jamaican corridor by seizing US registered aircraft utilized, followed by swift prosecution of its owners. Excellent cooperation from the Jamaican Constabulary Force contributed to the 12 significant seizures and ten arrests during the initial phase of the operation.

On August 22, 1995, a combined Royal Thai Police, Royal Thai Navy, and DEA operation resulted in the arrest of a Cambodian Army Colonel during the attempted delivery of three tons of marijuana to a DEA undercover Special Agent on an island near the Thai/**Cambodia** border. The Colonel was a major trafficker and illustrated the growing problem of Cambodian officials involved in trafficking.

(2) Coordinate Intelligence Gathering: In conjunction with the Government of **Colombia**, the DEA Bogota Country Office actively gathered and acted upon intelligence which ultimately led to arrests of major Cali mafia figures Miguel Rodriguez-Orejuela, Gilberto Rodriguez-Orejuela, and Jose Santacruz-Londono. Joint intelligence efforts in all areas, especially in the Cali and Medellin programs, took the form of search warrants, document analysis, and informant debriefings. Joint intelligence efforts led to the destruction of 14 cocaine HCL laboratories, 47 cocaine base laboratories, and two heroin laboratories along with significant narcotics seizures.

Joint intelligence developed under other Bogota Country Office initiatives led to joint enforcement actions which resulted in the seizure of approximately 41,473 kilograms cocaine HCL, 15,154 kilograms cocaine base, 124 kilograms heroin, 329,802 kilograms marijuana, 34 kilograms hashish, 110 kilograms morphine, five gallons hashish oil, and US\$13,709,337.

On April 23, 1995, acting on intelligence information provided by the **Panama** City Country Office, the Panamanian Technical Judicial Police (PTJ) and the Panamanian Drug Prosecutor's Office arrested Mario Fung, a major cocaine transporter for the Cali cartel. Fung is responsible for trafficking 100-200 kilograms a month from Tocumen International Airport in Panama.

Similarly, DEA provided actionable intelligence to the PTJ which resulted in the seizure of the Sail vessel (SV) Michael Angelo and the arrest of two crew members. Secreted inside hidden compartments on board the vessel was approximately 2,000 kilograms of cocaine. The SV Michael Angelo is one of a series of seven vessels used by the Cali cartel to transport cocaine via Mexico to the US. This is the third largest cocaine seizure in the history of Panama.

In April 1995, acting on intelligence information provided by the DEA, the **Nicaragua** National Police (NNP) initiated surveillance on a well known trafficking group out of Bluefields, Nicaragua regarding an ongoing smuggling venture off the coast. As a direct result, the US Coast Guard in concert with NNP patrol vessels identified two suspect vessels and seized 1,400 kilograms of cocaine. In addition, ten members of the Bluefields organization were arrested and are currently awaiting trial.

In response to the changing cocaine threat in **Mexico**, the Northern Border Response Force (NBRF), expanded its scope of operations to include maritime, land and fast mover smuggling. Based on information provided by DEA, on April 17, 1995, the NBRF seized a record \$6.35 million at the Mexico City International Airport. The cash was concealed in 13 air conditioning units, which were to be shipped to Bogota aboard a Mexican airliner. On June 20, 1995 the NBRF's maritime program seized 13.5 metric tons of hashish from a vessel en route to Chihuahua, Mexico from Pakistan.

In **Peru**, the highest profile intelligence collection project is Operation Pajarito, a high Frequency radio intercept program, which produces the majority of actionable intelligence keying the Peruvian Air Force in its extremely successful air space denial to suspected narco-aircraft. Close coordination of intelligence between the Lima Country Office and the DEA Country Offices in Bogota and Brasilia has been essential to impede trafficker aircraft transiting the neighboring countries. In 1995, Operation Pajarito provided precise information leading to the neutralization of 17 aircraft transporting an estimated 8,500 kilograms of base/HCL. An additional seven aircraft were confiscated resulting in the seizure of 4,800 kilograms of cocaine HCL.

In 1995 in **Thailand**, the DEA Bangkok Country Office in cooperation with the Royal Thai Police Office of Narcotics Control Board (ONCB) and the Narcotics Suppression Bureau (NSB) established the Chiang Mai Intelligence Center (CMIC). The CMIC provides valuable intelligence on Southeast Asia trafficking groups.

In the spring of 1995, the DEA **Singapore** Country Office initiated Operation CUBS, an intelligence probe into the Chinese Underground Banking System in Singapore. This century old informal "banking" system allows for the international transfer of funds using trusted business and family relationships. It operates using a system of "chits" or promissory instruments executed among participants whose relationships have been well established over long periods. The system is used by Asian drug traffickers to move funds and facilitate their transactions. Operation CUBS has identified individuals and businesses involved in the money transfers. The information gathered identified significant targets for further investigations and enforcement actions with the objective of seizing any funds identified as drug proceeds. It is being used to identify trafficking generated proceeds in accounts as well as significant targets and illicit drug networks in the US.

(3) Engage in Foreign Liaison: In May 1995, DEA initiated Operation TRIANGLE, a multi-faceted tri-national approach involving the countries of **Mexico, Guatemala, and Belize**. This DEA concept, announced and coordinated at the 1995 IDEC Conference, is the first stage of the Mexico/Central American Regional Counternarcotics interdiction strategy. Operation TRIANGLE's purpose was to simultaneously target and arrest transporters of illegal drugs, weapons, and aliens through these countries. This operation also included the location of and destruction of illicit crops and clandestine airfields. Mexico took on the leadership role in this operation and coordinated the participation of the Mexican Federal Judicial Police, the Instituto Nacional para el Combate a las Drogas (INCD), the Mexican Army, Navy and Air Force, the Federal Highway Police, as well as State, Local and Municipal Law Enforcement Agencies. Mexico's seizures include 1,506 kilograms of cocaine, 15 metric tons of marijuana, 36 kilograms of opium, 2,921 kilograms of methaqualone, three vessels, two vehicles, 13 weapons, and 27 arrests. DEA will continue to promote these coordinated efforts to increase the enforcement capacity of the participating countries.

Another unprecedented achievement exhibited was Operation UNIDOS, a ten day simultaneous regional enforcement operation by Mexico and **all countries of Central America** (Panama, Belize, El Salvador, Guatemala, Honduras, and Costa Rica). This broad enforcement operation was designed to immobilize major trafficking organizations by targeting and securing all available smuggling routes, eradicating illicit crops and destroying clandestine airstrips. During this saturation enforcement effort, Mexico authorities seized 4,837 kilograms of cocaine, 36,321 kilograms of marijuana, 119 kilograms of marijuana seed, five kilograms of ephedrine, 13 kilograms of amphetamine, two aircraft, 145 vehicles, six maritime vessels, 200 weapons, and two tons of munitions. In addition, 109 fugitives were arrested and 15 clandestine airstrips destroyed. It is important to also note that 1,428 fields of opium poppy were destroyed, equaling an area of 182.5 hectares, that could have produced an estimated yield of 2,190 kilograms and 916 marijuana fields destroyed, equaling an area of 88.6 hectares, that could have produced an estimated yield of 106.3 metric tons. As evidenced by the seizures and arrests in Mexico, Operation UNIDOS can be considered one of the most significant regional successes in counterdrug efforts for 1995.

The year 1995 proved to be a significant year for furthering liaison with Thailand. Due to DEA's continued efforts, on January 18, 1996, Thanong Siripreechapong, a former member of Thailand's Parliament, became the first Thai citizen to be extradited from Thailand to face criminal charges in the US. Thanong, escorted by DEA and US Customs Service Special Agents, traveled from Bangkok to San Francisco to face a 1991 indictment in the Northern District of California for his role in a criminal enterprise that smuggled multi-ton quantities of marijuana into the United States. Despite some last minute legal maneuvering by Thanong, and with the timely assistance of the Japanese Government, which granted an expedited clearance for Thanong's transit during a flight stop in Tokyo, the extradition proceeded smoothly. Now, Thai defendants charged with crimes in the US can no longer block extradition by claiming Thai citizenship, thus allowing for the likelihood of the eventual extradition of the 11 major heroin traffickers arrested under Operation Tiger Trap.



DEA, working with the Anti-Narcotic Force in Pakistan, achieved the extradition of Haji Mohammed Iqbal Baig and his top lieutenant Anwar Khattak to the US. Baig is mentioned in over 151 DEA case files. To date, Pakistani authorities have seized more than 22.7 million dollars in assets belonging to Baig. Baig and Khattak have both pled guilty in the Eastern District of New York and are waiting sentencing.

The DEA Islamabad, Pakistan Country Office worked closely with the Anti-Narcotic Force in Pakistan to seize over six million dollars of assets belonging to Haji Ayyub Afridi, a powerful drug lord. This seizure forced Afridi into self-exile in the inaccessible tribal area of the Northwest Frontier Province of Pakistan. Subsequently, with his financial situation deteriorating, Afridi surrendered to DEA Agents in the United Arab Emirates on November 10, 1995. Indicted in 1990 in the Eastern District of New York, Afridi was a well-established, wealthy and influential drug trafficker in Southwest Asia. Trial is set for mid-May 1996 in the Eastern District of New York.

The DEA Athens, **Greece** Country Office persuaded Bulgarian authorities to extradite two defendants from Bulgaria to the US. These two extraditions are significant in that they represent the only extraditions from **Bulgaria** for narcotic violations. The first case involved a **Nigerian** trafficker wanted in New York for the importation of heroin to the US. The second case involved a Yugoslavian national wanted in the Southern District of California for trafficking in cocaine and heroin.

In 1995, DEA was instrumental in urging the Government of **Turkey** to ratify the 1988 Vienna Convention. Presently, DEA is working closely with the Turkish Government in adapting the Convention to their laws. Still pending before Turkish Parliament is the passing of money laundering legislation.

On May 8, 1995, a Thai national, now serving a life sentence in **Thailand**, appeared in US Federal Court in Arlington, Virginia to testify against a co-conspirator, marking the first ever prisoner transfer under the 1992 US/Thai Mutual Legal Assistance Treaty. Pongpol Poontavee, serving a life sentence in Bangkok Prison for a 1992 heroin conviction, testified against Chavid Suriyaphiuksh, who was arrested in January 1995 at Washington's National Airport, and was indicted for conspiring to import more than 30 kilograms of heroin into the US from Thailand. DEA's offices in Bangkok and Washington, as well as embassy staff and DOJ/OIA, were instrumental in expediting the approval and execution of this transfer, a milestone in US/Thai counternarcotics cooperation.

In **South America**, through the annual International Drug Enforcement Conference (IDEC), DEA specifically focuses on bolstering all aspects of participating "Host Nation" enforcement efforts. Coordinated and cooperative operations are scheduled, common problem areas and recommended solutions are addressed, and available US operational and training assistance is discussed.

Based on significant ephedrine investigations in various countries to include **Switzerland**, DEA together with Swiss authorities held meetings to discuss the ephedrine diversion problem. These discussions culminated in Swiss Parliament successfully passing new precursor chemicals laws that include ephedrine.

The Swiss Parliament also agreed to adopt recommendations from the Chemical Action Task Force concerning a list of controlled chemicals and agreed to ratification of the 1971 - 1972 Vienna Convention on Psychotropic Substances. Although the enacting of the new precursor law is not expected in 1996, these actions signify important initial measures by the Swiss to control precursor drug laws exported from Switzerland.

4) Coordinate Training Programs for Host Country Police Agencies:

Addressed in the International Training Section

(5) Assist in the Development of Host Country Drug Law Enforcement Institutions: In May 1995, the DEA Tegucigalpa, **Honduras**, Country Office, in conjunction with the Department of State, supported the establishment of the Ministerio Publico's 5 Direccion Investigacion Criminal (DIC). The DIC is a newly formed civilian directorate with its own Special Drug Prosecutor that will handle all enforcement matters including drug prosecutions. This action is a significant step toward reform because it places drug law enforcement under a civilian lead organization, and not under the current military rule.

The DEA Tegucigalpa Country Office worked closely with the Ministerio Publico's Direccion Investigacion Criminal in developing new money laundering, asset forfeiture, and enhanced enforcement capability legislation. These legislative enhancements will empower police and prosecutors with the necessary tools to be effective. This proposed legislation is before a special commission for review which will then be passed on to the 1996 Honduran Congress for approval.

The DEA Nicosia, **Cyprus** Country Office initiated a program to encourage the Government of **Lebanon** to institute chemical control in drug producing areas and recognize the importance of chemical control as a law enforcement issue. The DEA Nicosia Country Office advised the Lebanese Judiciary Police Force on methods of implementing a chemical control program that identified the most common precursor and essential chemicals used by Lebanese drug traffickers to produce cocaine and heroin. This resulted in Lebanon making some changes in their internal control of precursor chemicals. The Public Prosecutor of Lebanon has issued an order restricting the importation and use of Acetic Anhydride to prevent diversion for use in the production of heroin.

The DEA Lagos, **Nigeria** Country Office persuaded the Nigerian National Drug Law Enforcement Agency (NDLEA) to re-institute the joint US-Nigerian Task Force, disbanded approximately three years ago due to the corruption of the Nigerian participants. The DEA Lagos Country Office now selects all officers for the Task Force. Through the Task Force, the DEA Lagos Country Office provides on-the-job training to these select NDLEA Agents and identifies promising and talented Agents for future advancement opportunities. The DEA Lagos Country Office also persuaded the NDLEA Chief to form an Internal Affairs Unit, which will handle corruption cases.

During 1995, the Asuncion, **Paraguay**, Country Office (ACO) initiated the establishment of a new investigative unit under the Secretaria Nacional Antidrogas Direccion de Narcoticos dedicated to working only high-level violators. Also, an assessment of training/logistics capabilities of the Government of Paraguay (GOP) anti-narcotics has been conducted by the ACO, and training requests were initiated. Department of State funding was also used to purchase much needed equipment for GOP anti-narcotic forces.

The DEA **Panama** Country Office was instrumental in assisting the Panamanian Government to strengthen their anti-money laundering controls. As a result, in March 1995, a presidential decree formalized the position of "drug czar" and established a special commission to oversee money laundering control efforts. Also, in November 1995, a law was passed to modify Panama's criminal statute against money laundering. This new legislation empowers the Technical Judicial police and the Drug Prosecutors Office with the legal tools to effectively arrest and prosecute drug related financial crimes.

On October 11, 1995, in **Thailand**, authorities arrested two men in the first successful use of a special provision in the nation's Narcotics Conspiracy Statute. The events leading up to the arrests started in April 1994, when DEA Special Agents in Songkhla and Singapore, in cooperation with Thailand's Office of Narcotics Control Board (ONCB) and **Indonesian** National Police (INP), launched a joint investigation of the Thamanoon Sae Pae organization, an ONCB target for ten years. The investigation culminated a month later in Jakarta.

INP officials arrested three organization members and seized a record 30.8 kilograms of heroin. Subsequently, the investigation turned to Thamanoon and led to his October 11 arrest, along with that of another individual. In their prosecution, Thai authorities intend to rely on subsection five of the conspiracy law, which recognizes narcotics seizures made outside Thailand as potential evidence for conspiracy charges against traffickers within the country. Embassy Bangkok reports that continued application of this portion of the law stands to be worthwhile and promising.

With DEA Athens, **Greece** Country Office's assistance, the Government of Albania conducted a marijuana eradication operation. This operation resulted in the destruction of approximately 60,000 marijuana plants. This was the first major joint law enforcement operation in **Albania** and was considered a success.

### Summary of International Asset Sharing

Name of Case Investigation	Total Amount Forfeited in the US	Recipient Country	Amount of Transfer	Transfer Date
<b>In re \$47,500 (Roizis)</b> (SD N.Y.) DEA	\$47,500.00	Romania	\$23,700.00	7/15/94
<b>US v Hugo Reyes Torres Funds</b> 21 USC 881 18 USC 981	\$11,500,065.06	Switzerland	\$3,833,092.02	9/19/91
<b>US v Hickey</b> (ND Indiana) S CR-86-91 (01)	\$1,488,559.00	Guernsey	\$297,713.00	10/25/94
<b>Fair Rose of Sharon</b> DEA Case Number 1991X019	\$61,600.00	Netherlands Antilles	\$22,500.00	11/1/94
<b>In re Seizure of \$150,120 from Darrell Chambers</b> DEA Case 17930033 (ED Michigan)	\$150,120.00	Bahamas	\$56,323.00	11/14/95
<b>US v \$2,146,084.65</b> (MD Florida) 21 USC 881	\$2,145,084.56	Switzerland	\$1,073,042.00	12/23/94
<b>Operation Softshoe</b> (Administrative Forfeiture) FBI-ND Cal	\$134,922.49	Canada	\$27,907.77	6/21/95
<b>David Shmuel</b> (D Mass.; ND NY)	\$173,848.55	Israel	\$34,769.55	6/27/95
<b>Ancaleto Case</b> DEA Case MK84z004 (D Col)	\$45,033.00	Canada	\$13,509.94	10/26/95
<b>Alarcon Mengaul</b> (ND Fla)	\$2,039,140.94	Switzerland Canada	\$679,696.62 \$135,919.12	10/26/95 1/14/96
<b>US v Herberto Rodriguez</b> (ND Fla)	\$3,740,125.70	Switzerland	\$1,417,786.26	11/30/95
<b>Santacruz Londono</b> (ED NY)	\$12,461,193.74	United Kingdom	\$523,392.26	12/15/95

## UNITED STATES COAST GUARD

### INCSR (FY-95/96)

**TRAINING.** The Coast Guard is responsible for deploying, at the request of foreign governments, Mobile Training Teams (MTT) to source and transit zone countries in order to improve the law enforcement capabilities of the host nation law enforcement (LE) forces. This training is subject to the approval and funding of the Department of State. Most short-term LE MTTs consist of three or four personnel who conduct classroom and hands-on maritime LE instruction to foreign maritime LE authorities for one or two weeks at a time. During FY 95, MTTs provided training to over 700 foreign nationals in 15 different countries. The actual number of people trained is indeterminate because of on-going, long term training conducted with Colombian law enforcement agencies.

When longer-term presence is warranted, the Coast Guard's International Training Division (ITD) deploys personnel for several months at a time to train foreign LE authorities (mostly in Latin America) in coastal and waterway counterdrug law enforcement. (ITD) continues to support the Waterways Law Enforcement (WLE) program, a US Government initiative to disrupt the cocaine supply at its source. Throughout FY95, a continuous 3-5 person team presence was maintained in Bolivia and Panama for WLE training, however, the goal is that these schools will be self-sustaining by mid CY96. When deployed, ITD personnel are under the operational control of the US Chief of Mission.

The USCG conducts foreign shiprider and classroom exchanges, participates in the US Navy UNITAS (South/Central America) and WATC (West Africa) training programs, conducts extended foreign port visits in Mexico and Caribbean basin countries, and hosts foreign maritime LE personnel at USCG facilities in order to train and familiarize foreign officials in maritime counterdrug tactics.

Once a year, a Coast Guard medium endurance cutter, equipped with a helicopter and normally accompanied by a Coast Guard patrol boat, conducts LE training with several nations in the Eastern Caribbean as Operation TRADEWINDS. This operation involves on-the-job-training and hands-on law enforcement experience. The result is these nations normally increase their own counterdrug efforts and are better able to conduct combined counterdrug operations with the Coast Guard.

### COMBINED OPERATIONS

In November 1993, a DOS letter to the British Embassy formalized the concept of deploying USCG Law Enforcement Detachments (LEDETs) aboard Royal Navy vessels in the Caribbean. Additionally, there is now a similar agreement with the Royal Netherlands Navy allowing the same participation by Coast Guard LEDET members. Since the inception of these agreements, there has been significant cooperation between the USCG, British Navy and Netherlands Navy.

On December 12, 1995, a LEDET aboard the HMS BRAVE (UK) performed the first seizure covered by this agreement. Although only a small portion of the smuggled narcotics was recovered, this demonstrated the importance and value of such agreements. These deployments are a significant counterdrug force multiplier in the Caribbean.

The USCG conducts combined operations with Caribbean Basin and Latin American countries to assist and further develop indigenous interdiction forces. Combined operations with foreign maritime interdiction forces result in on-the-job-training for both the foreign forces and USCG personnel. Countries must have well-trained forces in order to be considered for combined operations with the USCG.

Quarterly, a medium or high endurance cutter participates in Visits for International Exchanges and Technical Assistance (OPVISTA) to countries in the Caribbean region and Eastern Pacific. OP VISTAs primarily involve Panama and Colombia, but have involved Guatemala, Belize, and Honduras.

Combined operations have led to bilateral agreements which facilitate counterdrug operations. Types of agreements include overflight authority for USCG surveillance aircraft, permission to enter foreign territorial waters to carry out enforcement actions, shiprider agreements to facilitate coordination between forces, and shipboarding agreements to streamline the diplomatic communication necessary to board foreign flagged vessels.

An example is the agreement which established Operation Bahamas and Turks and Caicos (OPBAT). OPBAT is a multi-agency, multinational law enforcement operation supporting US and Bahamian counternarcotics efforts in the Bahamas and Turks and Caicos Islands. OPBAT will continue to be an important part of the 1996 National Drug Control Strategy's international focus of interdiction in the transit country.

In addition to combined operations, the USCG conducts coincidental operations with the Mexican Navy in the Pacific, and in the Gulf of Mexico. During coincidental operations, USCG and Mexican Naval units operate simultaneously (as opposed to operating jointly), and exchange on-scene information which may assist in the interdiction of drug traffickers. Through these operations, communication between the USCG and the Mexican Navy has significantly improved to such a level that arrangements are being pursued for a Mexican naval officer to be assigned as a liaison officer to USCG command centers in Los Angeles, CA and New Orleans, LA.

**Other Activities.** The USCG conducts other activities abroad that, though not necessarily funded by the Department of State, benefit international narcotics control efforts. The USCG maintains the ability to transfer decommissioned patrol boats to Caribbean and Latin American nations and does so whenever possible. USCG personnel are permanently stationed in several American Embassies located in source and transit countries. These USCG positions are sponsored by various US programs.

Officers are posted in Antigua, the Bahamas, Panama, Haiti, Mexico, Colombia, Bolivia, however, the CG attache position in Venezuela was eliminated. In addition, the USCG often hosts foreign dignitary visits to USCG training facilities and operational units. In FY95, the USCG hosted 90 individuals from 54 nations. The nature of these visits varies, but most are a general USCG familiarization and provide an overview of all USCG missions, including counternarcotics.

The following pages provide actual training and assistance provided to foreign nations for FY 1995 and projected for FY 1996/97.

## United States Coast Guard Assistance

Mission	Country	Fund Source	Cost	Dates
<b>FY 95 (Does not include Continuous Presence Mission in Bolivia or Panama.)</b>				
<b>Caribbean Region</b>				
Port Sec/Drug Control Sem	Barbados	USCG/USA/COM	\$3,000	95/4/16 - 95/4/22
Maritime Law Enf CG5	Bahamas	INL	\$7,000	95/03/25 - 95/3/31
Maritime Law Enf CG5	DomRep	INL	\$8,500	95/04/1 - 95/04/08
Maritime Law Enf CG1	Jamaica	INL	\$13,000	95/7/22 - 95/07/28
Maritime Law Enf CG3	Jamaica	INL	\$13,000	95/07/29 - 95/08/05
Tradewinds/Civil Disas Trng	St. Kitts	USCG/USA/COM	\$300	95/05/03 - 95/05/09
Maritime Law Enf CG3	Trinidad	INL	\$7,000	95/01/14 - 95/01/20
Maritime Law Enf CG3	Trinidad	INL	\$7,000	95/01/21 - 95/01/28
<b>Central America/Mexico</b>				
Maritime Law Enf CG1	El Salvador	EIMET	\$8,000	95/09/18 - 95/09/22
Maritime Law Enf CG3	El Salvador	EIMET	\$8,000	95/09/23 - 95/09/29
Port Safety/Security CG 4	El Salvador	EIMET	\$9,000	95/08/29 - 95/09/01
Maritime Law Enf CG1	Guatemala	INL	\$8,000	95/04/01 - 95/04/07
Maritime Law Enf CG3	Guatemala	INL	\$8,000	95/04/08 - 95/04/14
Port Safety/Security CG 4	Guatemala	INL	\$12,000	95/09/02 - 95/09/06
Port Safety/Security CG 4	Honduras	INL	\$10,000	95/06/05 - 95/06/14
Maritime Law Enf CG1	Mexico	INL	\$9,500	95/01/14 - 95/01/20
Maritime Law Enf CG3	Mexico	INL	\$9,500	95/01/21 - 95/01/27
Maritime Law Enf CG3	Mexico	INL	\$9,500	95/03/04 - 95/03/10
Maritime Law Enf CG3	Mexico	INL	\$9,500	95/03/11 - 95/03/18
Amer Assoc of Port Auth CG4	Mexico	INL	\$4,500	95/01/23 - 95/01/27
<b>South America</b>				
CG Developmental Law Enf	Colombia	FMF/EIMET	\$37,000	95/01/08 - 95/07/05
CG Developmental Law Enf	Colombia	FMF/EIMET	\$17,000	95/08/03 - 96/01/28
CG Dev/Needs Assess	Colombia	INL	\$20,000	95/06/01 - 95/06/30
Maritime Law Enf CG 1	Suriname	INL	\$19,000	94/10/24 - 94/11/04
Maritime Law Enf CG 1	Peru	INL	\$9,000	95/04/15 - 95/04/22
Maritime Law Enf CG 3	Peru	EIMET	\$9,000	95/02/04 - 95/02/11
Maritime Law Enf CG 1	Peru	EIMET	\$12,500	95/09/18 - 95/09/24
Maritime Law Enf CG 3	Peru	INL	\$12,500	95/09/25 - 95/10/01
Maritime Law Enf CG 1	Uruguay	INL	\$11,500	95/05/26 - 95/06/03
Maritime Law Enf CG 3	Uruguay	INL	\$11,500	95/06/04 - 95/06/11
Maritime Law Enf CG 1	Venezuela	INL	\$10,000	94/12/03 - 94/12/10
Maritime Law Enf CG 1	Venezuela	INL	\$10,000	94/12/11 - 94/12/17
<b>Europe/Nis</b>				
Maritime Law Enf CG 1	Latvia	EIMET	\$13,000	95/06/25 - 95/07/01
Maritime Law Enf CG 1	Malta	EIMET	\$13,000	95/07/01 - 95/07/08
Maritime Law Enf CG 1	Turkey	INL	\$12,000	95/05/18 - 95/05/24

## United States Coast Guard Assistance

Mission	Country	Fund Source	Cost	Dates
Maritime Law Enf CG 3	Turkey	INL	\$12,000	95/05/25 - 95/05/31
Maritime Law Enf CG 1	Ukraine	INL	\$13,000	95/06/29 - 95/07/07
Maritime Law Enf CG 2	Ukraine	INL	\$13,000	95/07/08 - 95/07/15
-				
<b>Africa/Middle East</b>				
-				
Maritime Law Enf CG 1	Morocco	EIMET	\$13,000	95/06/05 - 95/06/09
Port Safety/Security CG 4	Mauritius	EIMET	\$23,000	94/12/03 - 94/12/18
-				
<b>Asia/Pacific</b>				
-				
Port Safety/Security CG 4	Indonesia	INL	\$30,000	95/08/30 - 95/09/12
Maritime Law Enf CG 3	Philippines	INL	\$13,000	95/02/16 - 95/02/25
Maritime Law Enf CG 5	Philippines	INL	\$13,000	95/02/26 - 95/03/07
-				
<b>FY 96/FY97 (Does not include Continuous Presence Mission in Bolivia, Colombia, or Haiti.)</b>				
-				
<b>Caribbean Region</b>				
-				
Maritime Law Enf CG 3	Barbados	INL	\$10,000	95/11/06 - 95/11/12
Maritime Law Enf CG 5	Barbados	INL	\$10,000	95/11/13 - 95/11/19
Maritime Law Enf CG 3	Antigua	INL	\$10,000	96/01/07 - 96/01/12
Maritime Law Enf CG 5 X 6	GJ/DO/SC/ST	INL	\$27,000	96/01/13 - 96/01/27
Maritime Law Enf CG 1	Trinidad	FMS	\$8,000	96/03/15 - 96/03/28
Model Maritime Service Code	Trinidad	EIMET	\$21,000	96/06/01 - 96/06/12
Maritime Law Enf CG 1	Trinidad	INL	\$6,000	TBD -
Maritime Law Enf CG 2	Trinidad	INL	\$6,000	TBD -
Maritime Law Enf CG 3	Trinidad	INL	\$6,000	96/11/11 - 96/11/17
Maritime Law Enf CG 4	Trinidad	INL	\$6,000	96/05/11 - 96/05/17
Maritime Law Enf CG 5	Trinidad	INL	\$6,000	96/11/18 - 96/11/24
Maritime Law Enf CG 1	Netherlands Ant	Direct	\$20,000	TBD -
Maritime Law Enf CG 1	Haiti	INL	\$10,000	96/08/15 - 96/08/28
Maritime Law Enf CG 3	Haiti	INL	\$10,000	96/08/29 - 96/09/04
Maritime Law Enf CG 4	Haiti	INL	\$8,000	96/09/15 - 96/09/21
Maritime Law Enf CG 5	Haiti	INL	\$8,000	TBD -
Maritime Law Enf CG 5	Jamaica	INL	\$7,000	96/07/29 - 96/08/04
-				
<b>Central America/Mexico</b>				
-				
Maritime Law Enf CG 1	Belize	EIMET	\$12,000	96/07/15 - 96/07/19
Maritime Law Enf CG 2	Belize	EIMET	\$12,000	96/07/22 - 96/07/26
Maritime Law Enf CG 1 X 1	Costa Rica	NAS	\$17,000	95/10/23 - 95/11/03
Maritime Law Enf CG 3 X 2	Costa Rica	EIMET	\$2,700	96/09/08 - 96/09/21
Maritime Law Enf CG 1	El Salvador	EIMET	\$9,000	96/04/01 - 96/04/07
Maritime Law Enf CG 2	El Salvador	EIMET	\$7,000	96/04/08 - 96/04/14
Maritime Law Enf CG 3	El Salvador	EIMET	\$3,000	96/04/09 - 96/04/09
Maritime Law Enf CG 5	El Salvador	EIMET	\$13,000	96/08/31 - 96/09/06



# United States Coast Guard Assistance

Mission	Country	Fund Source	Cost	Dates
Maritime Law Enf CG 5	Guatemala	EIMET	\$13,500	96/09/21 - 96/09/27
Maritime Law Enf CG 1 X 2	Mexico	INL	\$21,000	96/03/24 - 96/03/30
Maritime Law Enf CG 3 X 2	Mexico	INL	\$17,000	96/03/31 - 96/04/06
Maritime Law Enf CG 1	Panama	INL	\$9,000	96/04/29 - 96/05/03
Maritime Law Enf CG 3	Panama	INL	\$9,000	96/05/06 - 96/05/10
<b>South America</b>				
Maritime Law Enf CG 1	Colombia	EIMET	\$18,000	96/10/01 - 96/10/05
Maritime Law Enf CG 2	Colombia	EIMET	\$14,000	96/08/01 - 96/08/03
Maritime Law Enf CG 3	Colombia	EIMET	\$14,000	96/08/01 - 96/08/05
Maritime Law Enf CG 3	Suriname	EIMET	\$17,000	96/03/04 - 96/03/08
Maritime Law Enf CG 1	Venezuela	INL	\$8,500	96/01/06 - 96/01/12
Maritime Law Enf CG 3	Venezuela	INL	\$8,500	96/01/13 - 96/01/19
Maritime Law Enf CG 1	Guyana	INL	\$9,000	96/02/17 - 96/02/23
Maritime Law Enf CG 3	Guyana	INL	\$9,000	96/06/24 - 96/06/30
Maritime Law Enf CG 3	Peru	INL	\$8,000	96/04/29 - 96/05/03
Maritime Law Enf CG 3	Peru	INL	\$8,000	96/05/04 - 96/05/08
Maritime Law Enf CG 4	Argentina	INL	\$19,000	96/04/13 - 96/04/17
Maritime Law Enf CG 4	Brazil	INL	\$9,000	95/11/12 - 95/11/16
Maritime Law Enf CG 4	Brazil	INL	\$9,000	96/03/17 - 96/03/30
<b>Europe/NIS</b>				
Maritime Law Enf CG 1	Bulgaria	INL		96/06/01 - 96/06/07
CG Dve/Needs Assess	Herzegovina	EIMET	\$42,000	96/05/04 - 96/05/13
Maritime Law Enf CG 1	Hungary	EIMET	\$15,000	96/05/13 - 96/05/17
Regional Maritime Law Enf CG 1	Kyrgyzstan	EIMET	\$30,000	96/08/15 - 96/08/21
Model Maritime Svc Code	Kyrgyzstan	INL	\$18,000	96/11/15 - 96/11/21
Regional Maritime Svc Code	Kazakstan	EIMET	\$22,000	96/07/01 - 96/07/05
Regional Maritime Law Enf CG 1	Kazakstan	EIMET	\$18,000	96/08/26 - 96/09/01
Maritime Law Enf CG 1	Kazakstan	INL	\$12,500	96/06/01 - 96/06/07
Regional Maritime Svc Code	Kazakstan	INL	\$22,000	96/06/01 - 96/06/07
Maritime Law Enf CG 1	Latvia	EIMET	\$13,500	96/07/01 - 96/07/05
Maritime Law Enf CG 2	Latvia	INL	\$8,000	96/03/11 - 96/03/15
Maritime Law Enf CG 3	Latvia	INL	\$8,000	96/06/10 - 96/06/16
Maritime Law Enf CG 4	Latvia	INL	\$19,000	96/07/17 - 96/07/21
Maritime Law Enf CG 5	Latvia	INL	\$8,000	96/09/01 - 96/09/07
Model Maritime Svc Code	Latvia	INL	\$12,000	96/05/06 - 96/05/12
Maritime Law Enf CG 1	Lithuania	EIMET	\$21,000	96/04/01 - 96/04/05
Maritime Law Enf CG 1	Lithuania	INL	\$9,700	96/05/13 - 96/05/19
Maritime Law Enf CG 2	Lithuania	INL	\$9,700	96/05/21 - 96/05/27
Maritime Law Enf CG 3	Lithuania	INL	\$9,700	96/06/10 - 96/06/16
Maritime Law Enf CG 4	Lithuania	INL	\$20,000	96/09/15 - 96/11/12
Model Maritime Svc Code	Lithuania	INL	\$12,000	96/11/22 - 96/11/28
Maritime Law Enf CG 1	Poland	INL	\$10,000	96/06/01 - 96/06/08

## United States Coast Guard Assistance

Mission	Country	Fund Source	Cost	Dates
Maritime Law Enf CG 3	Poland	INL	\$10,000	96/12/01 - 96/12/14
Maritime Law Enf CG 1	Romania	INL	\$33,000	96/07/01 - 96/07/05
Maritime Law Enf CG 5 X 2	Turkey	INL	\$25,000	96/08/19 - 96/08/25
Regional Maritime Svc Code	Turkmenistan	EIMET	\$17,500	96/08/25 - 96/08/31
Regional Maritime Law Enf CG1	Turkmenistan	EIMET	\$18,000	96/08/15 - 96/08/21
Regional Maritime Svc Code	Turkmenistan	INL	\$17,000	96/08/19 - 96/08/28
Maritime Law Enf CG 1	Turkmenistan	INL	\$28,000	96/08/15 - 96/08/21
Regional Maritime Law Enf CG1	Uzbekistan	EIMET	\$18,000	96/08/19 - 96/08/25
Maritime Law Enf CG 1	Uzbekistan	INL	\$28,000	96/08/15 - 96/08/21
Model Maritime Svc Code	Uzbekistan	INL	\$17,000	96/12/01 - 96/12/07
Maritime Law Enf CG 1	Ukraine	INL	\$20,000	96/10/07 - 96/10/13
Maritime Law Enf CG 3	Ukraine	INL	\$20,000	96/10/13 - 96/10/19
<b>Africa/Middle East</b>				-
MLE Eng/Log	Cape Verde	EIMET	\$28,000	96/06/01 - 96/06/12
Maritime Law Enf CG 1	Cape Verde	EIMET	\$26,000	96/06/01 - 96/06/05
Model Maritime Svc Code	Mozambique	EIMET	\$18,500	96/07/01 - 96/07/07
Maritime Law Enf CG 3	Tunisia	EIMET	\$13,000	96/09/15 - 96/09/19
<b>Asia/Pacific</b>				
Maritime Law Enf CG 1	China	INL	\$44,000	96/10/28 - 96/11/10
Maritime Law Enf CG 1	India	INL	\$22,000	96/02/07 - 96/02/13
Maritime Law Enf CG 1	Brunei	Direct	\$37,000	TBD -
Maritime Law Enf CG 1	Malaysia	INL	\$29,000	96/11/15 - 96/11/15
Maritime Law Enf CG 1	Indonesia	INL	\$17,500	96/11/04 - 96/11/10
Maritime Law Enf CG 3	Indonesia	INL	\$17,500	TBD -

CG1=USCG MLE Boarding Officer Course-32 Students

CG2=USCG MLS Mid-Managers Course-20 Students

CG3=USCG Train the Trainer Course-12 Students

CG4=USCG Port Safety and Security Course-20-28 Students

CG5=USCG Jointly Trained Boarding Officer Course-32 Students, 2 Host Nation instructors

MMSC=USCG Model Maritime Service Code Seminar-15-30 Students

Long Term or continuous presence Training Teams operate in country for intervals of 90 days each. Each four man team has expertise in all facets of USCG law enforcement operations and some support skills such as boat handling, engine repair and maintenance and logistic support. These teams work on a daily basis to develop host country capability to carry out maritime law enforcement and the infrastructure necessary to become self-sufficient. A recent success story is the Waterways school in Bolivia. Presence in Haiti and Colombia are increasing in FY96 and are projected to continue through at least FY97.

## UNITED STATES CUSTOMS SERVICE

International drug interdiction training is a vital segment of the activities, interests, and mission of the US Customs Service. Training is funded and approved by the Department of State and provided to drug control agencies with an interdiction responsibility in countries considered significant to US narcotics control enforcement efforts.

During FY 1995, 57 programs (excluding the International Visitor Program) were conducted. These programs involved 55 participants in the US and 1,904 participants in 38 foreign countries. This annual schedule included 8 Executive Observation Programs (EOP); 18 Overseas Enforcement Training (OET) Programs for individual countries; 3 Regional Overseas Enforcement Training (ROET) Programs for two or more countries; 8 Train-the-Trainer Workshops (T3W) for individual countries; 3 Regional Train-the-Trainer Workshops (RT3W) for two or more countries; 4 Contraband Enforcement Team (CET) Training Programs - 3 with 3 separate phases; 1 Mid-Management Seminar (MMS) and 2 Money Laundering Seminars (MLS).

In addition to the normal schedule of International Narcotics Control Training programs conducted under the auspices of INL, US Customs has carried out a number of narcotics control projects making use of funds outside of the annual INL allocation. These programs, many of which required considerable development efforts, were in response to high priority concerns. Among these are the following:

- \* A CET Training Program was supported and funded by the US Embassy in Jamaica. This program expanded on other CET Training Programs which have been presented in-country, the results of which have been the establishment of a highly effective Contraband Enforcement Team in Jamaica.
- \* 4 OET Programs were conducted in Albania, Bulgaria, Macedonia and Romania (respectively) using funds provided by Peace Keeping Operations. These programs concentrated on drug interdiction at land border points of entry and exit.
- \* UNDCP funding was utilized to conduct an OET Program for Yemen.
- \* A regional Port Security Seminar was conducted in the Caribbean, using OAS funds. This seminar was attended by 45 participants from ten countries.
- \* The presentation of 16 Money Laundering Seminars using funds from the Department of Treasury Asset Forfeiture Fund. In total, 15 individual seminars were presented in 14 countries and one regional seminar was presented which included participation by 21 countries.
- \* Both a self-funded OET Program and T3W were conducted in Kuwait.

- \* The development of a video training program addressing the methods and techniques for the search of rail cars. This video is unique in that it is specially designed for the use of foreign drug interdiction officers, having been filmed on the Polish-German border.

FY 1995 was the fifth year in which INL has funded training in narcotics security techniques provided by US Customs to managers and employees of commercial transportation companies under the Carrier Initiative Program (CIP). During FY 1995, INL-funded CIP training was presented to 966 employees in 11 programs. These programs were offered in the following countries: Bolivia, Chile, Costa Rica, Dominican Republic, El Salvador, Mexico, Nicaragua, Panama, Peru, Philippines and Thailand. Costs relating to these programs are partially offset by the sponsoring commercial transportation companies. In addition, CIP training (funded by Northwest Airlines) was conducted in Japan for 64 employees of the airline and a site survey (post-funded) was conducted in Guatemala.

Particularly noteworthy in assessing the past year's program are the significant seizures and cooperative efforts which were reported and are attributed directly to the training programs. For example:

1. Measurable Results: Following a seizure of 75 kilograms of heroin by the Customs Service of Cambodia, the post reported that "The Customs drug seizure and continuing activity in the national and municipal police anti-narcotics units show that the RCG is making good use of the training received from the US.."
2. Measurable Results: Following the presentation of an OET Program in Benin, the post reported that "The USG's sponsorship of this seminar...pays dividends in our bilateral efforts to fight the narcotics trade. One result is that the Government of Benin officials have been very cooperative in individual drug cases where we have asked for their assistance. Post is encouraged by the Government of Benin's response to the OET Program..."

In FY 1995, our international training efforts have, as in the past, also emphasized cooperation with other US Government drug enforcement agencies. FY 1995 saw the presentation of a joint US Customs-DEA training program. In addition, cooperation was also emphasized with other nations and international bodies. We maintain an extensive network of drug control liaison contacts in the US, as well as with a number of major donor countries and international organizations, enabling us, among other things, to avoid duplication of training.

In FY 1995, the US Customs Service shared financial assets on 12 occasions:

Exam. Magistrate Canton of Zurich	39,996.25
Fed. Off. for Police Matters Bern	39,996.25
Metropolitan Police Dept., New Scotland Yard	530,049.32
Metropolitan Police Dept., New Scotland Yard	140,000.00
Metropolitan Toronto Police	1,064.44
Office Attorney General Mexico	1,260,000.00
Office Attorney General Mexico	4,770,443.86
Province of British Columbia	111,371.00
Receiver General of Canada	7,510.00
Royal Bahamian Police	342,215.94
Royal Canadian Mounted Police	8,100.00
Vancouver PD	49,549.60
TOTAL	7,300,296.66

## TRAINING STATISTICS

### US Customs Service

	<u>Participants</u>	<u>Programs</u>
Training in the US:		
Executive Observation Program	38	8
International Visitor Program	516	131
Mid-Management Seminar	17	1
Training in host countries:		
Overseas Enforcement Training	581	21
Contraband Enforcement Team	127	4
Train-the-Trainer Workshop	140	11
Money Laundering Seminar	90	2
Carrier Initiative Program	966	11
SUBTOTAL	2,475	189

## **SOUTH AMERICA**





## ARGENTINA

### I. Summary

Argentina faces a growing problem with illegal narcotics, both in the flow of drugs through the country and in domestic consumption. The extent of drug transshipment, consumption, and money laundering is largely unknown, reflecting a lack of strategic analysis and tactical cooperation among enforcement agencies. The government is actively opposed to drug trafficking and to the sale and consumption of illegal narcotics within the country. Argentina is a party to the 1988 UN Convention. Police and security forces are active in the fight against narcotics. In recent years, police authorities have made seizures of significantly larger drug shipments from major regional narcotics producing countries. Argentine legislation prohibits diversion of precursor chemicals, but actual controls are weak. Government counternarcotics efforts, both in law enforcement and demand reduction, are hampered by restricted budgets and institutional weaknesses. Cooperation with USG authorities continues to be excellent. The FY-1995 narcotics memorandum of understanding between the USG and Government of Argentina (GOA) provides \$125,000 in counternarcotics funding. Money laundering is a criminal offense when explicitly linked to narcotics activity. In December 1995, the Argentine government hosted the Summit of the Americas money laundering ministerial which was chaired by U.S. Treasury Secretary Rubin.

### II. Status of Country

Argentina is not a major drug producing or drug transshipment country. Nonetheless, Argentina does face a growing problem with illegal narcotics, both in the flow of drugs through the country and in domestic consumption. While still playing a secondary role in the international drug trade, the traffic in narcotics through the country, especially to Europe, has increased over the past few years. The government has an active counter-drug policy, and government officials are aware of the growing dimensions of the problem the country faces. Argentina has large and generally efficient police and security force organizations, all of which share counternarcotics mandates. Efforts to combat the entry and use of illegal drugs, as well as precursor chemicals are hampered by significant institutional weaknesses: severely limited budgets, rivalries among law enforcement agencies, and an inefficient judiciary.

Crop production and drug refining are not significant factors in Argentina. Small amounts of illicit drugs are produced in minor "kitchen" sites in the northern part of the country near the Bolivian border, as well as in the province of Buenos Aires.

**Drug Flow/Transit.** The most common transit source of cocaine is Bolivia, with large shipments often entering the country on private aircraft that land at any of thousands of uncontrolled airfields or at one of the many small municipal airports. Save for the area around Buenos Aires and one other major city, there is no radar coverage of the country. Drugs also enter the

country by railroad, most often in sealed containers which, if destined for shipment to a third country, cannot be inspected by Argentine customs authorities. Riverine traffic from Paraguay and Brazil is another method for introducing narcotics into the country. There are indications that large narcotics shipments leave Argentina via the port of Buenos Aires concealed in containerized cargo, bound usually for Europe and, to a lesser degree, the U.S.

**Demand/Consumption.** Argentine authorities are increasingly concerned over evidence of growing domestic consumption of narcotics. As more drugs enter the country, increasing quantities are becoming available for local use. A widely held view among police, public health officials, educators, labor union leaders and others, is that drugs are readily available and their use is growing, especially among young people. Economic growth of the past several years has given some sectors of the population greatly increased disposable income, making the country an increasingly lucrative market for drug dealers. There is also a growing cadre of active drug distributors among the large underclass of the unemployed, poor immigrants from neighboring countries, and professional petty criminals.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** The Government of Argentina is actively opposed to drug trafficking and to the sale and consumption of illegal narcotics within the country. Argentina is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (UN Convention). The GOA is in compliance with all significant aspects of the 1988 UN Convention. In 1989, the congress passed a major anti-narcotics bill to enact into law the commitments of the UN Convention. Subsequent presidential decrees have stiffened parts of the law, such as those targeting money laundering and permitting asset seizures. In 1991, the government promulgated a "National Plan Against Illicit Traffic of Drugs" which implemented a series of measures to strengthen government efforts against drug traffickers. Argentina is also an active participant in the Inter-American Drug Abuse Control Commission (CICAD). The Argentine government strongly supported the U.S.-backed anti-narcotics initiatives at the Summit of the Americas, and hosted the money laundering ministerial in December 1995.

Argentina has had a "Secretariat for Prevention of Drug Abuse and Narcotics Trafficking" almost from the beginning of the Menem administration in 1989. The secretary, the country's "drug czar," is appointed by the president and has a staff of about 50 people. Gustavo Green is the incumbent secretary, and was appointed by President Carlos Menem in October 1995. He acts as the country's coordinator for all counternarcotics efforts, which involve numerous domestic drug prevention and drug treatment programs along with active Argentine government participation in international conferences and seminars on the global effort against illicit drugs. The secretariat, which has been criticized for inefficient use of the resources available to it under previous directors, has had its budget sharply reduced over the past year.

**Agreements and Treaties.** Argentina is a party to the 1988 UN Convention, the 1961 Convention, and its 1972 Protocol, and the 1971 Convention on Psychotropic Substances. In addition, Argentina and the U.S. have an extradition treaty, a mutual legal assistance treaty, and a narcotics cooperation agreement.

**Corruption.** The Argentine government, as a matter of policy, does not encourage or facilitate the production or distribution of drugs, or the laundering of drug profits.

**Law Enforcement.** Argentina's police and security forces, under the Ministry of Defense, are actively engaged in the fight against narcotics. The armed forces are specifically proscribed from active participation in counternarcotics operations, and to date have resisted undertaking operations that the law does allow, such as providing logistical and communications support. Counter-drug units exist in all major police agencies. Cooperation with USG authorities continues to be excellent. Regrettably, because of strict economic austerity measures, all of Argentina's law enforcement agencies face severe budget limitations that largely prohibit investment in new equipment and training, multilateral operations, or additional manpower.

In recent years, police authorities have made seizures of significantly larger drug shipments transiting Argentina from major regional cultivation and producing countries. In March 1995, authorities scored the largest seizure in Argentine history when a two-year investigation resulted in seizure of approximately 1,000 kilograms of Colombian cocaine, along with a Piper aircraft, and the arrest of 10 suspects. In May, police arrested another 10 people and seized 160 kilograms of cocaine destined for shipboard transit to Italy. In October, another 185 kilograms were seized, reportedly also destined for Europe. In November, four Bolivians carrying about 100 kilograms of cocaine were arrested while attempting to cross the border into Argentina. Police have made dozens of arrests at border checkpoints and at Ezeiza International Airport outside Buenos Aires, which involve smaller amounts of cocaine. Those arrested at the airport almost always had passage booked on flights bound for Europe.

An ongoing problem for the country's counternarcotics strategy is lack of coordination among the various law enforcement agencies involved in the effort. The Drug Secretariat does not have enforcement powers and lacks effective coordinating authority over the anti-drug efforts of security forces and police agencies. The various components of the country's law enforcement network are decentralized and fragmented, and have overlapping responsibilities and institutional rivalries that undermine Argentina's counter-drug efforts. The entire security apparatus has systemic problems such as a low level of investigative expertise, antiquated equipment and a minimal capacity for forensic analysis, and voluminous and time-consuming paperwork requirements.

One problem that is directly relevant to narcotics trafficking is the country's outdated method of identifying and recording the identities of people entering and exiting the country. As an initial step in dealing with this problem, the government plans to introduce new machine-readable passports and national identification cards beginning in 1996. Argentine authorities hope to gain approval by other MERCOSUR governments (Brazil, Paraguay, and Uruguay) for a MERCOSUR-wide identification card system.

Argentina's counternarcotics efforts are hampered by a cumbersome legal system. That system is burdened by a massive backlog of cases, onerous evidentiary rules, and delays due to poor and/or inadequate staffing and outdated equipment. Antique rules of criminal procedure slow, and often stymie, investigations. Current rules of evidence, among the most restrictive in the world, are a particular hindrance in any investigation of conspiracies and more complex crimes. An issue of special concern to U.S. authorities is the ineffectiveness of the current extradition treaty with Argentina. Over the past five years, the U.S. has filed 15 separate requests for extradition -- of these, one request ended in the subject's voluntary return to the United States, two requests were denied, and the others are still pending. Argentine judges and prosecutors claim that the delays and denials are due to ambiguities in the treaty rather than any unwillingness to cooperate by Argentine judicial authorities.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** In 1989, the U.S. and Argentine governments signed a cooperation agreement against drug trafficking which has been implemented annually through a series of memoranda of understanding. Since 1988, USG assistance to Argentina destined for anti-drug trafficking efforts has totalled approximately \$2.9 million. Just over \$2.0 million of that amount was for equipment, with the balance used for training programs for Argentine law enforcement personnel. Cooperation between USG and Argentine authorities on counternarcotics efforts continued to be excellent in 1995. The GOA has met the goals and objectives of USG-GOA bilateral narcotics agreements since 1989. The FY 1995 narcotics memorandum of understanding between the U.S. and Argentina for \$125,000 was signed in September 1995.

**The Road Ahead.** The top USG narcotics priority is to focus the attention of Argentine officials on the transshipment of drugs through Argentina and press for GOA action on a program to determine the scope and scale of the problem. Focusing limited resources as sharply as possible, the USG intends to assist the Argentine Government in reinforcing the front-line agencies that have customs authority and port oversight. This is a long term project that will require a high-level commitment by the GOA.

A reinvigorated effort by Secretary Green to overcome the obstacles which continue to stand in the way of making the U.S.-funded "Joint Information Command Center" (JICC) fully operational, is also a USG goal. A commitment by the former narcotics secretary to have the system running by mid-1995 was not met. The USG will continue to work closely with Argentine officials in the implementation of the law allowing undercover agents and controlled deliveries, as well as lend support to efforts to broaden the law to allow the use of informants, a goal that was not realized in 1995.

## **BOLIVIA**

### **I. Summary**

Bolivia, now the world's third largest producer of coca and cocaine having been surpassed by Colombia in coca cultivation, made substantial progress in 1995 toward meeting the goals and objectives of the 1988 U.N. Convention, and surpassed its 1994 counternarcotics performance. Coca growers have become more involved in the smuggling of precursor chemicals, and in processing cocaine products. Bolivian trafficking organizations are becoming increasingly independent of their Colombian counterparts, smuggling cocaine hydrochloride (HCl) to Brazil, Paraguay, Argentina or Chile en route to the U.S. and Europe. The Government of Bolivia (GOB) resumed its suspended compensated coca eradication program and launched an unprecedented campaign to destroy newly planted coca and seedbeds. Law enforcement forces dismantled several major trafficking organizations, one of which was responsible for a 4.1-metric-ton cocaine shipment seized in Peru in mid-September. Moreover, Bolivia's drug control achievements were complemented by sustained alternative development activities and a significant change in policy and domestic attitudes. Policy-makers, led by President Gonzalo Sanchez de Lozada, now acknowledge the link in Bolivia between coca and cocaine, and are building a consensus to eradicate all illicit coca. A new bilateral extradition treaty with the U.S. was signed and is in the process of ratification by both countries, and a seized asset decree was enacted in December. Although Bolivia has yet to criminalize money laundering, the Minister of Justice pledged action at the December 1995 Summit of the Americas Ministerial Conference in Buenos Aires. Bolivia is a party to the 1988 UN convention.

### **II. Status of Country.**

Given an increase in new coca cultivation, Bolivia's successful 1995 eradication campaign did not result in a net reduction in overall coca cultivation. It did, however, drop Bolivia into the position of the world's third largest producer of coca behind Colombia. Over 54,000 hectares of coca were estimated to be under cultivation in 1995 -- a total reduced to 48,600 hectares of potentially harvestable coca after eradication. 70 percent of the coca is grown in the Chapare region and virtually all of it is used to produce cocaine base and HCl. 28 percent of Bolivia's coca is now grown in the Yungas region and the remaining two percent in the Apolo region. The estimates show a slight decrease in coca cultivation in the Chapare, now estimated at 33,700 hectares, but a seven percent increase in the Yungas, bringing total cultivation there to 14,000 hectares. Cultivation in the Apolo region has dropped to only 900 hectares.

Law enforcement investigations in 1995 revealed an increasing level of production of both cocaine base and HCl in Bolivia independent of Colombian trafficking organizations. The coca growers, lured by the prospect of higher profits, have begun processing coca leaf into cocaine base. Bolivian traffickers are further refining cocaine HCl in laboratories located primarily in the Santa Cruz and Beni areas. In addition, in late 1995, Peruvian suppliers faced with depressed coca leaf prices, began marketing their products to Bolivian traffickers.

Bolivian organizations smuggle generally less than a ton of cocaine base or HCl per shipment, into Brazil, Paraguay, Argentina and Chile. However, a September shipment of HCl seized in Peru exceeded four metric tons.

The chemicals used to process cocaine base and HCl are smuggled into Bolivia from Chile, Argentina and Brazil, or enter the country as legal shipments and then are diverted to the illicit cocaine industry. On paper, Bolivia's chemical control efforts appear rigorous however controls over chemical imports at the borders are weak, and the National Directorate for the Registry and Control of Controlled Substances and Precursors, which is currently being reorganized, has been plagued by corruption and a lack of personnel.

Money laundering is not a criminal offense in Bolivia. Bank secrecy laws inhibit law enforcement authorities' access to bank records. The Bolivian Association of Banks adopted a voluntary code of conduct calling on bankers not to accept suspicious deposits or transactions, but the code lacks sanctions for wrongdoing. Moreover, approximately 170 exchange houses operate with little oversight or supervision.

Prior to December 1995, assets seized from traffickers could not be sold or disposed of until all mandatory legal appeals were exhausted -- a process that often took years. This constitutional impediment burdened the government with managing assets. To resolve this problem, the government issued a decree permitting it to auction assets with the consent of the accused. The decree should protect the assets from degradation or theft, minimize corruption, and maximize the funds eventually forfeited to the government for counternarcotics efforts.

### **III. Country Actions Against Drugs in 1995.**

**Policy Initiatives.** Bolivia's omnibus counternarcotics plan is embodied in Bolivia's Coca and Controlled Substances Law (Law 1008), passed 1988. This law compels the government to meet yearly coca eradication targets, through voluntary (compensated) or forced destruction of plants, contingent upon the availability of international development assistance. It specifically prohibits the use of herbicides to carry out eradication.

For the first time in several years, Bolivia successfully met the goals mandated by Law 1008. The government was advised in early March that certification by the U.S. depended upon meeting three conditions by June 30: the eradication of 1,750 hectares of coca; the submission of a mid- and long-term eradication plan; and the negotiation of a new extradition treaty. Bolivia met all three conditions. The U.S. and Bolivia signed a new extradition treaty June 27. The government eradicated 2,200 hectares by the end of June and submitted a mid-term plan committing to eradicate a total of 5,400 hectares by the end of the year -- a goal it surpassed by 93 hectares.

The government also initiated an unprecedented campaign to destroy seedbeds and newly planted coca which should help it meet 1996 coca reduction targets. To date, the GOB has compensated coca growers for virtually all of the coca eradicated. Meanwhile, U.S.-sponsored alternative development projects designed to complement eradication have almost doubled licit cultivation in the Chapare since 1986. Licit crops now account for twice as much hectarage in the Chapare as coca.

Bolivia's primary anti-narcotics force (FELCN) is charged with enforcing Law 1008. Bolivia began a restructuring of the FELCN command in late 1995, in part in response to a corruption scandal unleashed in the wake of Peru's seizure of a Bolivian cargo aircraft and four tons of cocaine. The reorganization is designed to improve inter-service coordination and operational control. The government also created, with U.S. assistance, a 256-person Ecological Police unit, which is charged with carrying out forced destruction of illegal coca seedbeds and new plantings. To confront a complex chemical trafficking problem, the GOB expanded a specialized chemical police unit (OCIAQ) and has given it additional oversight authority over firms which are licensed to purchase controlled chemicals.

The government launched a public policy initiative designed to educate the populace about the shift in the Chapare from coca cultivation to cocaine production and trafficking. The direct link between coca and cocaine has taken hold among policy makers, and public support for anti-drug efforts has increased.

During 1995, critics of Law 1008 pressed for changes to the statute which could have weakened the government's anti-drug effort. The Minister of Justice dealt with the challenge by proposing a number of reforms -- signed into law February 1, 1996 -- that appear to address most procedural and constitutional concerns raised by opponents of Law 1008, without affecting critical substantive components of the law. The Ministry of Justice and the attorney general's office also continue to consolidate, with U.S. assistance, judicial reforms that will improve the effectiveness of criminal investigations and ultimately the prosecution of drug-related offenses.

**Accomplishments.** Despite reductions in U.S. counternarcotics assistance in 1995, Bolivia's joint law enforcement program, like the eradication effort, produced substantial results. The FELCN dismantled five major drug and chemical trafficking organizations, involving the arrests of many key traffickers, seized over eight metric tons of cocaine base and HCl, and destroyed over 2,000 processing sites and laboratories. Moreover, the joint operations conducted by Bolivian anti-narcotics police and DEA's resident office in Santa Cruz alone account for nearly 25 percent of all DEA-assisted arrests made overseas.

Bolivia expanded the specialized chemical police unit (OCIAQ) in 1995, adding new offices in the three key chemical-trafficking regions of Oruro, Cochabamba and Santa Cruz as well as officers with greater expertise. OCIAQ also was given greater regulatory responsibility in order to reduce the scope for corruption within the National Directorate for Chemical Control. OCIAQ successes contributed to a substantial increase in chemical seizures in 1995.

Although Bolivia does not currently have a money laundering statute, the FELCN also has expanded its financial investigative capability. The Joint Narcotics Intelligence Fusion Center, which provides intelligence support to law enforcement, consistently produced valuable intelligence and lead information in support of joint FELCN-DEA investigations.



**Enforcement Efforts.** The FELCN, with DEA support, shifted its focus in 1995 primarily to Bolivian-operated organizations in the eastern part of the country and broadened efforts to target Peruvian suppliers as well and Paraguayan and Brazilian distribution organizations. The FELCN units rely on actionable intelligence provided by a number of U.S.-supported units, and have enhanced their mobility and flexibility, often carrying out simultaneous operations in various sectors. This type of effort requires forward operating bases which Bolivia is hard-pressed to build, supply or maintain without continued U.S. assistance. Bolivian law enforcement forces, working closely with the U.S. Embassy, arrested Colombian trafficker Pedro Ramirez Dario and seven members of his organization in Santa Cruz in January 1995 after an almost two-year effort. An Israeli trafficking organization tied to the Cali Cartel also was dismantled, and its leader, Avner Menashe, was arrested in March. Two important cocaine and chemical supply organizations were dismantled in December in operations which resulted in the arrest of 44 individuals, including major traffickers Jose Cristobal Delgadillo Valencia (AKA "Jesus Cristo") and Jose Sanchez Erquicio (AKA "Tarabuco").

The key enforcement success in 1995 was a joint FELCN-DEA investigation which ultimately resulted in the mid-September seizure in Lima of a Bolivian transport plane carrying over four metric tons of cocaine HCl. The shipment aboard the so-called "Narco-Avion" was destined for the U.S. via Mexico. Over fifty suspects have been arrested in Bolivia as a result of follow-up investigations, including the head of the organization, Luis Amado Pacheco Abraham. The operation exposed official corruption which had facilitated the traffickers' ability to get the shipment out of Bolivia, and triggered a highly politicized Bolivian congressional investigation.

**Corruption.** The Sanchez de Lozada administration does not, as a matter of government policy or practice, condone, encourage, or facilitate the illicit production or distribution of controlled substances, or the laundering of proceeds from illegal drug transactions. Rather it has taken steps to address corruption. Senior government officials suspected of having engaged in corrupt practices, to include a former president, have been investigated by the GOB, but Bolivia's more prominent suspects still seem to enjoy a degree of impunity. Drug-related corruption nonetheless remains a problem among the armed forces, civilian anti-drug agencies and the courts. The government has responded to lower-level official corruption it has uncovered with full-blown investigations and prison sentences.

New evidence surfaced in the GOB's investigation of former President Jaime Paz Zamora and his political strategist Oscar Eid that indicates they had deeper involvement with narco-traffickers than originally suspected. That investigation continues. The "Narco-Avion" incident implicated the private secretary of the Minister of Government along with low-and mid-level police officers in facilitating the shipment. The government responded by launching a full investigation, rapidly jailing implicated individuals or removing them from their jobs until the investigation was completed. Prison officials, including members of the ruling political party, likewise were terminated from their positions and investigated when they were discovered to have been cavorting with convicted narco-traffickers at a party in Santa Cruz. A Bolivian Navy Captain was apprehended and is awaiting trial for using navy vehicles for drug smuggling.



**Agreements and Treaties.** Bolivia is a party to the 1961 Single Convention on Narcotic Drugs, the 1972 protocol thereto, the 1971 Convention on Psychotropic Substances and the 1988 UN Convention Against Trafficking in Illicit Drugs and Psychotropic Substances. Bolivia accomplished the goals described in its bilateral counternarcotics agreement with the U.S. Bolivia and the U.S. signed a new extradition treaty June 27 which, when ratified by each country, will require the extradition of Bolivian nationals to the U.S. to face narcotics and other serious charges when all other requirements of the treaty are met. Although in early 1995 Bolivia extradited to the U.S. former FELCN Commander Rico Toro other requests were denied by the Bolivian Supreme Court on grounds not consistent with the bilateral extradition treaty of 1900, the 1961 Single Convention on Narcotics (as amended by the Protocol of 1972) or the 1988 UN Convention.

**Cultivation and Production.** Bolivia produces about one-third of the world's coca leaf, primarily in the Chapare and Yungas regions. Bolivia's Law 1008 permits the cultivation of up to 12,000 hectares of coca in "traditional" zones within the Yungas and in one old settlement in the Chapare -- a total exceeded in 1995 by an estimated 2,000 hectares. "Traditional" coca is for use as a tea, for chewing, or for traditional ceremonies; it may not be processed to extract cocaine. All other coca is either "excess and transitional" or illegal. Excess and transitional coca is that which was growing in the Chapare and in parts of the Yungas not deemed "traditional" at the time of Law 1008's passage in 1988. Transitional coca is to be eradicated over time: Law 1008 calls for 5,000-8,000 hectares to be eradicated annually, subject to the availability of funds in the Bolivian Treasury and from international donors. All other coca, including newly-planted coca in transitional regions, is illegal. Illegal coca is subject to immediate eradication without compensation.

Coca leaf from the Yungas is preferred for traditional use due to its taste and texture, and most is consumed in leaf form. The percentage of leaf in the Yungas being diverted to cocaine production may be on the rise, however, given the seven percent increase in cultivation in the region. Ninety-five to ninety-seven percent of Chapare coca is grown for conversion into cocaine. Production in the Apolo region, meanwhile, has declined substantially over the years and has a minimal impact on the coca economy.

The USG estimates net cultivation of coca in Bolivia as of the end of December at 48,600 hectares -- a 500-hectare increase over the 1994 estimate. Of the total, there are 40,300 hectares of mature coca estimated to be producing leaf, 26,300 of which are in the Chapare. (The coca bush takes two years to mature.) During the course of 1995, 5,493 hectares of mature coca were eradicated, mostly via a compensated, voluntary eradication program. This was the first year since 1992 that eradication reached the annual minimum established by Law 1008. The new Ecological Police, in the four months immediately following the unit's organization, destroyed 100,000 square meters of seedbeds and 45 hectares of new coca.

One hectare of mature Chapare coca yields an estimated 2.7 metric tons of leaf. 1993 field tests by U.S. experts determined that 363 kilos of fully dry Chapare coca produce one kilo of cocaine. Chapare coca has a 0.72 percent alkaloid content in the leaf, and it is processed in rudimentary laboratories that consistently allow for only about a 45 percent recovery rate of alkaloid. Processors also use coca that is not fully dry -- generally about 390 kilos of leaf per kilo of cocaine -- from which an additional 16 percent of weight in moisture is extracted during processing. Each mature hectare of Chapare coca can produce 7.44 kilos of cocaine, and total potential cocaine production in the Chapare is estimated at 195 metric tons.

**Demand Reduction Programs.** Drug abuse continues to rise among Bolivia's youth, with inhalants being the leading problem. The government's National Directorate for the Prevention of Drug Dependency and for Mental Health (PREID) and its research affiliate within the Ministry of Health funds treatment and rehabilitation programs. Two private sector programs, SEAMOS and CESE, are deeply involved in drug awareness programs. SEAMOS has developed media campaigns with funding from principal Bolivian business associations and the U.S., while CESE operates a drug hot-line and focuses on training programs for teachers and others who interact with high-risk populations. The head of CESE is the current coordinator of the Spanish-speaking group of the Drug Prevention Network of the Americas. Her work in helping establish the network is supported by the USG.

#### **IV. U.S. Policy Initiatives and Programs.**

**Policy Initiatives.** The U.S. anti-drug strategy combines support for vigorous law enforcement and eradication efforts to eliminate the cultivation of illegal coca by forcing the coca grower to turn to other crops or non-agricultural employment. USAID-supported development programs help reduce the impact of coca on the Bolivian economy and provide displaced growers with alternatives to coca. This strategy is designed also to help the Bolivian government develop the capability to plan, execute and, ultimately, fund its own operations.

**Bilateral Cooperation.** Bolivia and the United States have a bilateral counternarcotics agreement that covers all drug-related U.S. assistance programs. In 1995, Bolivia met its commitments under this agreement and surpassed its 1994 counternarcotics performance on all fronts. The Government eradicated 5,493 hectares of coca, sustained law enforcement efforts against major trafficking organizations resulting in an increase in drug seizures, and fully supported alternative development. In addition, Bolivia signed a new bilateral extradition treaty and issued a decree to regularize the management of seized assets.

**Road Ahead.** The GOB demonstrated in 1995 the will and capability to eradicate coca and prevent new plantings. 1996 eradication is underway and the GOB has expressed its commitment to carrying out a sustained, year-long effort. Confronted with declining external resources, however, the GOB likely will face the need to reevaluate its commitment to fully compensated eradication. The dramatic shift in public opinion with respect to coca growers and traffickers in the Chapare assisted GOB efforts in 1995. The government's ability to maximize this shift in

1996 will depend largely on its ability to prevent or deal effectively with a violent reaction to eradication. The GOB has expressed its commitment to pursue money laundering legislation, but progress will be difficult given the Bolivian elite's affinity for strict bank secrecy. U.S. efforts will focus on convincing the GOB that the Bolivian financial sector risks falling further behind the rest of the world unless it accepts strong money laundering controls. Joint efforts also will focus on continuing to rebuild Bolivia's chemical control regime and enforcement infrastructure.

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**Statistical Tables**


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Tables for CY		1995	1994	1993	1992	1991
<b>COCA</b>						
Net Cultivation*	[ha]	48,600	48,100	47,200	45,500	47,900
Eradication	[ha]	5,493	1,100	2,400	5,149	5,486
Cultivation	[ha]	54,093	49,200	49,600	50,649	53,386
Leaf						
Potentially Harvestable**	[mt]	85,000	89,800	84,400	80,300	78,000
<b>Seizures</b>						
Coca leaf	[mt]	110.09	202.13	201.25	188.90	5.45
Coca paste***	[mt]	0.05	0.02	0.01	0.33	0.94
Cocaine base****	[mt]	4.60	6.44	5.30	7.70	3.12
Cocaine HCL*****	[mt]	3.59	1.02	0.31	0.70	0.32
Agua Rica#	[ltrs]		16,874	14,255	50,820	23,230
<b>Arrests/Detentions</b>		600	1,469	1,045	1,226	1,003
<b>Labs Destroyed</b>						
Cocaine HCl		18	32	10	17	34
Base		2,226	1,891	1,300	1,393	1,461
<b>Domestic consumption</b>						
Coca leaf [licit]###	[mt]	13,300	13,300	13,300	10,000	10,000

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- \* Of net cultivation, 40,300 ha are mature productive coca. (26, 300 in the Chapare, 13,100 ha in the Yungas, and 900 ha in the Apolo region.)
- \*\* The reported leaf-to-HCl conversion ratio is estimated to be 390 kg of leaf to one kg of cocaine HCl in the Chapare. In the Yungas, the reported ratio is 330:1.
- \*\*\* Most coca processors have eliminated the coca paste step in production.
- \*\*\*\* Includes dry cocaine content of agua rica (see next footnote).
- \*\*\*\*\* An additional 4.1 metrics tons of Cocaine HCl were seized in Peru based on information provided by DEA in Bolivia.
- # Agua Rica [AR] is a suspension of cocaine base in a weak acid solution. AR seizures first occurred in late 1991. According to DEA, 37 liters of AR equal one kg of cocaine base.
- ## Licit consumption estimate revised in 1993.

## **BRAZIL**

### **I. Summary**

Brazil emerged during 1995 as a significant transit route for air shipments of cocaine base from Peru destined for cocaine labs in Colombia. The government began to demonstrate its awareness of Brazil's vulnerability to Colombian traffickers' use of Brazil as a major transit route and potential processing and money laundering center. The first year of President Fernando Henrique Cardoso's administration showed encouraging signs of an increased focus on reducing international narcotics trafficking. President Cardoso discussed with President Clinton the deleterious effects of international narcotics trafficking and drug abuse, and Justice Minister Jobim met with U.S. Attorney General Janet Reno about increased USG-Brazil law enforcement cooperation against traffickers.

Brazil also indicated interest in a USG-sponsored training program to improve police-prosecutor cooperation. The government enacted anti-organized crime and chemical control laws, but it still lacks effective money laundering legislation.

Military ministries of the government began to participate on a larger scale in counternarcotics initiatives in 1995. The government has begun to take steps to confront incursions into its airspace by suspected cocaine smuggling aircraft. Justice Minister Jobim and other high-level GOB officials focussed the government's attention on narcotics trafficking aircraft that overfly Brazil's western border with Peru.

Brazil's asset forfeiture fund (FUNCAB) at year's end amounted to over USD \$4 million to support law enforcement and demand reduction efforts. However, the government apparently has not yet established a reliable mechanism to systematically channel the money to police and demand reduction agencies. More resources from the Brazilian government would improve the Brazilian Federal Police (DPF) enforcement capability. Brazil lacks a national drug control strategy.

The Brazilian government ratified the 1988 United Nations Drug Convention in 1991, but still has not passed all necessary implementing legislation. However, in practice, the government is working to meet most of the overall goals and objectives of the U.N. Convention.

### **II. Status of Country**

Brazil is a major transit route for Colombian-produced cocaine to the U.S. and Europe and a potential processing center for such illicit drugs. Police discovered and destroyed two processing labs in 1995. The Brazilian government improved its legislative and policy cornerstones for the control of international narcotics trafficking by enacting organized crime and chemical control laws.

A strong currency and a stable economy make Brazil increasingly attractive as a venue for money launderers. The government's intent to establish an intelligence center to support the prosecution of financial crime is an encouraging first step towards combatting money laundering.

However, the lack of an anti-money laundering law and continued strict bank secrecy procedures remain formidable obstacles to effective investigation of financial crimes.

Brazil has instituted a system to monitor precursor chemical commerce. The government's new chemical law defines chemicals under control and substantially increases administrative penalties for non-compliance. Registration fees paid to the Federal Police by businesses dealing in precursor chemicals go to a holding fund available to support law enforcement activities.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** President Cardoso signed in May an organized crime law. The law's provisions on controlled delivery, plea bargaining, access to bank data and eligibility for bail have proven useful for police and prosecutors with anti-narcotics responsibilities. The president vetoed a provision on undercover operations.

Brazilian military ministries increased their participation in 1995 in counternarcotics initiatives. Portions of the military provided logistical support to Federal Police anti-narcotics operations.

By the year's end, the Brazilian government remained committed to implementing the Amazon Surveillance System (SIVAM). SIVAM is envisioned as a way to improve aircraft monitoring and interdiction capabilities, among other functions. However, the project still needs Brazilian Senate approval to proceed.

The government has participated in multilateral fora focussed on narcotics abuse issues, such as OAS/CICAD, but the U.S. would like to see Brazil demonstrate more positive leadership on these issues. Increased funding from the government in these fora and an adequately funded police force would demonstrate Brazil's commitment to achieving counternarcotics goals. Brazil contributed extensively to the preparation for and conclusion of the November Ministers' conference on money laundering in Buenos Aires.

**Accomplishments.** The government has trained sixty new police supervisors. Most of their assignments are anticipated to be in northern Brazil, Rio de Janeiro and Sao Paulo, where the narcotics threats are most serious. The level of resources devoted to counternarcotics and law enforcement still is relatively low in comparison with the threat, however.

The Brazilian government has expanded its sources of funding for its asset forfeiture fund (FUNCAB). In addition to funds raised through the auctioning of merchandise seized in counterdrug operations, the government receives license fees paid to the Federal Police by companies which sell or transport precursor chemicals. The chemical portion of the fund boosted the balance to over \$3 million. The government has made some funds available to police for law enforcement operations, but still lacks a systematic method to disburse the funds routinely for police purposes.

Brazil cooperates with other governments on the extradition of individuals accused of narcotics-related crimes. Although the government received two USG requests for narcotics-related extraditions in 1995, no actual extraditions took place during the year.

Brazil co-hosted with Argentina a narcotics policy conference and included a USG team in its consultations there. The government later invited the team back to Brazil for more extensive discussions on legislation better suited to prosecuting narcotics crimes.

**Law Enforcement Efforts.** The Brazilian Federal Police (DPF) seized 5.8 mt of cocaine and destroyed two cocaine processing laboratories in 1995. Last year's multi-ton seizure of 7.3 mt, while a significant law enforcement feat, should not skew police accomplishments this year. The DPF continued to improve its cocaine interdiction capability, maintaining a seizure rate roughly equal to last year's rate (discounting the unusual 7.3 mt seizure) and continuing to seize amounts of 200 kg or above. An increase in cocaine seizures amounting to 200 kg or more, from four to eight, indicates both trafficker activity and the improved investigative skills of the DPF.

The cocaine labs discovered in July and September were the first significant processing operations encountered by the DPF in over three years. One lab that produced 250 kg of cocaine per week, and could have potentially produced 20 mt of cocaine while it was in operation, is the largest such refining facility ever dismantled in Brazil.

Police operations effectively shut down the activities of the Dion Marques and Maria Branca narcotics trafficking organizations. Police efforts also greatly hampered drug smuggling by the Morback-Neto and Curica groups. The DPF participated in several regional law enforcement operations, including Operation Border Crunch, Condor and Saturno. Joint investigations with Bolivia and Uruguay also resulted in significant seizures.

**Corruption.** The Brazilian government, as a matter of policy and practice, does not condone illicit production or distribution of drugs, or the laundering of drug money. We know of no senior Brazilian officials engaged in or encouraging such activity. Many prominent members of the congress, judiciary, and executive branch assisted in forming a private anti-corruption group, 'The Citizens' Institute. During the past year, the DPF made no new narcotics-related corruption arrests at the federal level. However, corruption at the state and local levels remains a problem. For example, 18 drug enforcement police in Rio were fired for renting cellular telephones to imprisoned drug traffickers.

**Agreements and Treaties.** Brazil ratified the 1988 UN Convention in 1991. The congress has not yet passed implementing legislation that would bring the country into full compliance with the convention. Brazil lacks a money laundering law. New provisions on undercover operations and a more flexible approach to bank secrecy would align Brazil more vigorously with the spirit of the Convention. However, in practice the government meets most of the overall goals and objectives of the convention. Brazil is also a party to the 1961 UN Convention, the 1972 Protocol thereto, and the 1971 UN Convention.

Brazil renewed its bilateral counternarcotics agreements with the U.S. and Germany in 1995. The new 1995 Mutual Assistance Agreement on Counternarcotics with the USG updates the 1986 umbrella counternarcotics agreement, and provides the basis for cooperation in many areas, most notably money laundering and chemical controls. Brazil is working to generally meet overall bilateral counternarcotics goals and objectives. The USG, Germany, Great Britain, France, the Netherlands and Italy have law enforcement liaison officers stationed in Brazil. The government also reached agreement in September to integrate police operations with its Mercosul partners, Argentina, Paraguay and Uruguay. The USG and Brazil have an extradition treaty in force, signed in 1961.

**Cultivation/Production.** Brazil's identification and destruction of two cocaine refining facilities indicate that traffickers could be expanding production operations into Brazil. Increased law enforcement pressures on Colombian and Peruvian drug traffickers may force more drug trafficking activity into Brazil.

Cultivation of cannabis remains a domestic concern. There is little evidence of its export to the U.S. Cultivation of the Epadu variety of coca in the Amazon region has greatly diminished in recent years, probably owing to its low alkaloid content.

**Drug Flow/Transit.** Brazil's vast territory and sophisticated transportation and communications systems continue to attract international trafficking organizations that use the country as a transit point. The U.S. is the most common destination for cocaine seized in Brazil. Of significant seizures (over 200 kg) of cocaine during the last five years with known destinations, over two thirds was enroute to the U.S. Italy and Spain were the next most frequent destinations. Cocaine trafficking activity is dispersed throughout Brazil's enormous territory, creating a formidable challenge for law enforcement officers.

**Demand Reduction.** Public opinion surveys in Brazil demonstrate awareness of the danger to society posed by narcotics abuse. Polling carried out in Latin America's most populous nations showed Brazil leading the seven other countries in the percentage citing drugs as their most pressing concern. Government authorities at all levels, especially in the Sao Paulo area, have expressed concern about increasing use of crack cocaine. Press reports have focussed on the increasing use of crack by the middle class, and the link between cocaine abuse and violence in major cities. Solvents, prescription drugs and marijuana are also widely abused, mainly by youth. State and local governments and NGO's carry out most demand reduction activities. Demand reduction officials have widely disseminated drug education and treatment programs (although the number of clients greatly outweighs the need for such services), and have developed therapeutic communities within urban areas. The USG and the National Drug Council (CONFEN) have agreed to a program of funding promising projects in drug education and awareness sponsored by state drug councils and by private entities. CONFEN also has access to monies available through FUNCAB for carrying out demand reduction activities.



#### **IV. U.S. Policy Initiatives and Programs.**

**Policy Initiatives.** USG counternarcotics policy in Brazil seeks to disrupt international trafficking organizations, create improved infrastructure for effective investigations and prosecutions, and provide enhanced resources for confronting counterdrug problems. Bilateral cooperation on these issues has advanced progress towards these goals to jointly address the counternarcotics threat that works against all countries.

**Bilateral cooperation.** The USG works in concert with the DPF to provide operational support, equipment and training. The DPF is anticipated to expand its personnel for the first time in ten years. The USG has committed to providing specialized training to new agents assigned to drug enforcement duties. The DEA and the DPF share information routinely to facilitate international investigations. They are working to exchange information in a more timely fashion to increase the potential to exploit mutual law enforcement interests. The passage of implementing legislation that would align Brazil more vigorously with the 1988 UN Convention remains a continuing policy goal.

The USG has sponsored seminars to demonstrate approaches for mounting a financial information and analysis center to support money laundering prosecutions. U.S. Coast Guard and Customs officials have conducted a port assessment visit to improve Brazil's ability to reduce trafficking in its main industrial seaports. To follow up on the assessment, a specifically targetted Marine Interdiction Training Program will be conducted jointly by U.S. Coast Guard and U.S. Customs at two major seaports in Brazil in FY-96.

**Road Ahead.** The USG will continue to work with Brazil to advance our common concerns on international narcotics trafficking, especially drug issues in international fora, increased Brazilian resources for the DPF counternarcotics division, and a comprehensive national drug strategy.

Passage of money laundering and omnibus drug legislation remain critical benchmarks of Brazil's resolve to confront the consequences of narcotics trafficking. At year's end, the GOB was considering ways to increase the military's role in anti-drug efforts. The USG and other nations will look to Brazil to increase both its level of cooperation and its leadership in addressing international narcotics trafficking.

## CHILE

### I. Summary

Due to its geographic location, Chile has until recently been able to avoid many of the problems created by illegal narcotics. This situation is beginning to change as drug producing countries begin using this country as a transshipment point to the U.S. and Europe. Moreover, Chile's proximity to narcotics producing countries and the strength of its economy and banking system have raised USG concerns over its growing importance as a money laundering center. Drug use, previously limited to the lower classes, is becoming more prevalent in the upper income neighborhoods and offices in Santiago. In response to these developments, the Government of Chile (GOC) enacted a new counternarcotics law which went into effect in 1995. The law, though flawed, has criminalized the laundering of drug money and illicit traffic of precursor chemicals. Government and private organizations have mobilized to create drug abuse prevention and rehabilitation programs.

### II. Status of Country

The passing of the new counternarcotics law may slow the increase in the use of Chile as a transshipment point for drugs and precursor chemicals and as a haven for drug money. The government, though it has the will, does not yet have sufficient tools to stop the encroachment of drugs into the country. Chile is not a producing country, except for a small amount of cannabis grown for domestic consumption.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** Chile participated actively in the Summit of the America's Money-Laundering Ministerial Conference in Buenos Aires in early December. Interior Minister Figueroa, who was the keynote speaker at the conference, took a leading role in the hemispheric fight against money laundering in 1995. Both public and private organizations have taken the initiative to raise public awareness of the dangers of drug abuse and to focus their efforts on prevention and rehabilitation. As authorized by the new law, the Government of Chile created a money-laundering task force to pursue and prosecute money laundering crimes.

**Accomplishments.** The long-awaited counternarcotics resolution finally became law in October 1995. This law, though not as strong as many had hoped, makes it illegal to launder drug money. The shipment and storage of precursor chemicals for illicit purposes is also rendered illegal by the law. It re-defines and increases the penalties for production, shipment, and sale of illegal drugs. Though the new law is a big step towards implementing the 1988 UN Convention, more progress is needed in the areas of extradition and mutual legal assistance.

**Law Enforcement Efforts.** This year seizures increased by more than 100 percent to 346 kilos of cocaine hcl, 2.5 metric tons of cocaine base, and 95.9 metric tons of marijuana. This is indicative not only of an increase in drug trafficking and use, but also of the high priority assigned to counternarcotics police efforts.

**Corruption.** The corrupting influence of drug money is seen in the lower levels of the police and judiciary, though it does not seem to have taken hold at more senior levels. In the cases where police officials have been publicly accused of involvement in narcotics-related incidents, the law enforcement institutions have taken appropriate steps to investigate the allegations.

**Agreements and Treaties.** In an effort at modernization, the foreign ministry is attempting to update Chile's extradition treaties. In early 1995 a new extradition treaty with Australia was completed. The GOC is currently working with the USG to replace the existing bilateral extradition treaty (signed in 1901) with a modern treaty. In October, Chile and the USG entered into an agreement to work together on a project to prevent drug abuse, foster drug awareness and drug rehabilitation. As a party to the 1988 UN Convention, Chile continues to work towards compliance with its goals and objectives through its new drug law. Chile is also a party to the 1961 UN Convention, the 1972 Protocol thereto, and the 1971 UN Convention.

**Cultivation/Production.** The climate and geography of Chile are not conducive to the cultivation of coca or opium, though a small amount of marijuana is grown. Chilean marijuana is not of high quality and is only sold on the domestic market. There have been no indications of outside groups using Chile as a base for production of cocaine, heroin or other narcotics.

**Drug Flow/Transit.** Northern Chile continues to be the transit point for bulk shipment of narcotics and precursor chemicals going to and from neighboring producing countries. Due to treaty restrictions, Chilean authorities cannot open or inspect shipments originating in Bolivia and in transit to a third country. It is suspected that this traffic could be considerable. The length and ruggedness of Chile's border make it difficult to prevent the introduction of drugs into the country. The 3,928 miles of coastline, plus the normally extensive commercial activity of fruit, wine, and frozen seafood exports, make Chile an attractive location for transshipment of narcotics to the U.S., Europe, and Asia.

**Domestic Programs (Demand Reduction).** Seeking to curb drug usage, the GOC has strengthened laws punishing consumption and has increased its demand reduction budget. The Ministry of Education's (MOE) drug education and prevention budget for 1995 was tripled to over 240 million pesos (approx. \$600,000), and will rise to 302 million pesos (approx. \$755,000) in 1996. Many Chilean municipalities, tasked with creating effective demand reduction programs, are turning to the NGO "Fundacion Accion Familiar" for help in designing programs targeted at schools. With financial support from the McDonald's restaurant corporation and the GOC, "Accion Familiar" launched a heavily publicized cartoon video program on drug prevention. The video was shown on national television and distributed to more than 2,000 schools nationwide.

Besides the MOE fund, the National Drug Council (CONACE) has created a 400 million peso (approx. \$1,000,000) foundation to fund non-governmental organization-created and directed demand reduction programs. The Embassy and CONACE recently agreed to support an 18 million peso (approx. \$45,000) drug treatment pilot project.

The first national drug survey, released in March 1995, revealed an urban drug problem that is persistent, though small by U.S. standards. The survey shows a national rate of drug experimentation at 13 percent, ballooning to 22 percent for the 19-25 years age group. Experts are troubled by the finding that over nine percent of those under 18 have tried drugs, and fear this presages a more serious drug problem in the near future. Marijuana is by far the most widely-used drug.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG continues to provide small amounts of support for the implementation of effective money laundering and precursor chemical controls as well as the promotion of drug abuse awareness, education and rehabilitation efforts. These funds totalled US \$88,337 in 1995. Resources will be allocated to training Chilean authorities in investigation, interdiction and prevention.

**Bilateral Cooperation (Accomplishments).** Chile has increased its own drug budget. No new INL narcotics funding was requested for Chile in 1995. Approximately US \$275,000 remains in the pipeline from previous years' budgets and is sufficient to fund requests for training and prevention programs in 1996.

**Road Ahead.** The GOC has increasingly indicated that its interest lies in training its existing law enforcement officers, prosecutors, magistrates, and certain private parties in methods of interdiction, control, and prevention. The U.S. Embassy in Chile will work to provide this training through the joint efforts of INL, DEA, FBI, USIS, and Customs. The USG will also continue to work with the GOC to remove existing legal impediments in Chile to the negotiation and implementation of a modern extradition treaty. Creating a self-sufficient, well-trained, and energized national law enforcement establishment is the most cost-efficient method of combatting illegal narcotics in Chile.

## COLOMBIA

### I. Summary

In 1995 Colombia remained the world's leading producer and distributor of cocaine and a major supplier of heroin and marijuana. The cultivation of illicit coca continued to increase, and in 1995 Colombia became, despite eradication efforts, the world's second largest producer of coca, surpassing Bolivia. Colombia is home to narcotics trafficking organizations which are among the most powerful and ruthless criminal enterprises in the world. Colombia was given a vital national interest certification in 1994.

The Colombian Government's (GOC) counternarcotics cooperation on law enforcement in 1995 yielded a number of positive results. However, there was a lack of commitment by the Samper Administration to support the efforts of Colombian law enforcement entities and to strengthen the nation's institutions to combat the destructive effects of narcotics traffickers. Among the law enforcement successes were the arrest or surrender of six of seven sought-after senior members of the Cali syndicate; the passage of a money laundering law, albeit a weak one; denial of the blatant use of San Andres Island as a way station for drug shipments; and the pursuit, by the Colombian National Police (CNP), of an ambitious crop eradication campaign using equipment, materials, and training provided by the United States.

Despite these successes, the GOC did not make adequate progress in other key areas. In 1995 it did not take effective action to prosecute and sentence the incarcerated Cali leadership to prison terms commensurate with the gravity of their crimes and to obtain the forfeiture of all criminally-acquired assets. These criminals have continued to manage their crime empires while in jail, and their trafficking organizations have not been dismantled. Likewise the GOC failed to pass legislation to increase the penalties for drug trafficking or to strengthen the asset seizure and forfeiture laws and made no progress toward reaching agreement with the U.S. on a bilateral maritime counternarcotics agreement. The GOC did nothing to improve the safeguarding of investigative information provided by the United States that could affect the lives of witnesses, thus making it impossible for the United States to continue sharing this information in new cases.

Critical to the U.S. judgment that the GOC did not fully cooperate on counternarcotics in 1995 is the assessment that corruption remains pervasive despite the efforts of some dedicated Colombians to root it out. The CNP commander has fired thousands of corrupt police personnel and the Prosecutor General took steps to identify and eliminate corrupt activities within his organization as well as throughout the government. A high profile investigation known as the "Case 8,000" has resulted in the arrest of numerous members of congress as well as the former Minister of Defense on charges of illicit enrichment. However, the anti-corruption efforts of the Prosecutor General were undercut by members of the Samper Administration, who publicly attacked his efforts to enforce the law and attempted to limit his term in office. Colombia is a party to the 1988 UN Convention.

## **II. Status of Country**

Colombia is the center of the international cocaine trade and responsible for three-quarters of the cocaine available worldwide. Colombia is the second largest producer of coca -- cultivation increased by an estimated 13 percent in 1995 -- and there has been a resurgence in cannabis cultivation and marijuana trafficking in Colombia. Colombian traffickers import coca paste and cocaine base from Bolivia and Peru, convert it into cocaine hydrochloride (HCl) in clandestine laboratories and smuggle the finished product abroad via air, land and sea routes. Cocaine base production in Colombia increased in 1995 as Colombian producers attempted to diminish reliance on imports from Peru and Bolivia, from which they now obtain most of these primary products.

## **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** The GOC issued Colombia's first national anti-narcotics plan in 1995, thus meeting the master plan requirements of the 1988 UN Convention. The plan defines ten policies for action over five years to attack the narcotics problem on every front, from judicial and law enforcement institution building to alternative development, prevention and rehabilitation, and international cooperation.

Money laundering, a natural corollary of the cocaine trade in Colombia, was not significantly disrupted in 1995. Law 190 of 1995, enacted in May, criminalized money laundering, but the legislation is weak, and it remains to be seen whether it can be implemented effectively. The Colombian Government needs to strengthen and adequately enforce this law.

Colombia lacks adequate legislation to enable it to seize and effect the forfeiture of the mammoth illegally-derived assets of narcotics traffickers. As long as traffickers are able to retain this wealth they will maintain the ability to corrupt the legitimate activities of Colombian society. The GOC promise to pass stronger asset seizure and forfeiture legislation during 1995 was not fulfilled. Under the current law, property rights are forfeited only if the individual is convicted of a crime or if the owner does not legally defend those rights within a year after being summoned. However, the GOC's inability to compile evidence and to prosecute and convict defendants on criminal charges hinders the entire process. In practice many assets are seized, but few are forfeited and eventually they are returned.

The GOC, through the National Council for Economic and Social Policy (CONPES), has an ambitious alternative development program. Approved in October 1994, the program was amended in August 1995 to mesh with the master anti-narcotics plan. The plan is supported by UNDCP. Since June 1995, over 6,000 poor families have applied for credits; over 2,000 are from the Department of Guaviare where a significant amount of coca cultivation takes place. Land reform titles are given only to farmers pledging not to cultivate illicit crops.

**Accomplishments.** In 1995 Colombia took some steps but did not fully comply with the 1988 UN Convention or with United States bilateral agreements. The arrests of senior Cali narcotics syndicate members was the most significant anti-narcotics action in 1995, and resulted in the incarceration of the brothers Miguel and Gilberto Rodriguez Orejuela and Jose Santacruz Londoño. In January 1996, corrupt prison officials allowed Santacruz Londoño to escape from prison. He and another senior member of the Cali syndicate, Helmer Herrera Buitrago, are being sought by Colombian authorities.

These law enforcement actions did not dismantle the Cali syndicate. These criminals continue to run their organizations from jail or through trusted confidants. By year's end none of the Cali traffickers had been convicted. Drug trafficking continued unabated, with no discernible decrease in the amount of narcotics exported from Colombia.

A priority of the GOC counternarcotics policy was eradication of all illicit cultivation within two years, beginning in 1995. Colombia is the only coca-producing country to aerially eradicate the crop. The CNP reported it sprayed 24,081 hectares of coca, surpassing the 20,000 hectare goal agreed upon by the GOC and the USG. The CNP also reported it sprayed 3,970 hectares of opium poppy, working toward a goal of 17,000 hectares. (This goal will be revised in light of 1995 opium estimates which reveal substantially lower levels of cultivation than previously estimated.) These numbers fall short of the pace of eradication committed to by President Samper in a February 7 speech and the overall eradication target established in the 1995 bilateral agreement with the U.S. USG-sponsored spot checks of sprayed fields proved the herbicide is effective; the total amount destroyed, however, has not been verified.

**Law Enforcement Efforts.** In addition to the CNP's arrest of the top three leaders of the Cali syndicate, intense Colombian law enforcement pressure on this group resulted in the surrender of three other lower level Cali traffickers and the arrest of key front people. The CNP also arrested Leticia-based narcotrafficker Evaristo Porras-Ardila, long sought by law enforcement officials in several countries. In June, Peruvian trafficker Abelardo Cachique-Rivera was arrested in Bogota and immediately expelled to Peru where he was convicted and sentenced to 30 years in prison. He was wanted in Peru as one of that country's two largest coca base suppliers, and was the major coca base supplier to the Cali mafia.

The CNP seized over 21 metric tons of cocaine -- a decline from 1994 -- and 417 kgs of heroin and morphine, destroyed 409 cocaine and heroin laboratories and seized 74 narcotrafficker aircraft in 1995.

During 1995, the cost of the counternarcotics effort to the Colombian counternarcotics police remained high. The CNP suffered 15 fatalities and 17 wounded in the line of duty. Three of the dead were pilots on eradication missions. Three helicopters from the CNP airwing were shot down during operations. These losses did not lessen the commitment of the CNP to the counternarcotics effort, and cooperation and intelligence sharing continued with a range of international law enforcement entities.

**Corruption.** Corruption remains a serious impediment to progress on counternarcotics in Colombia. High-level government officials, members of congress, judicial officials and government functionaries are under investigation for corrupt activities. Through corruption, narcotics interests, with their vast sums of illegally-acquired funds, are influencing the political, judicial and legislative processes. The leaders of the CNP, particularly the anti-narcotics division, have outstanding reputations for honesty. The CNP, under the leadership of Major General Rosso Jose Serrano, is attacking corruption within its ranks. The judicial branch's affirmation of a 4-year tenure for the Prosecutor General was a positive anti-corruption step. The Prosecutor General's office, under the direction of Alfonso Valdivieso, has pursued major investigations of government corruption, initiating the now-famous "Case 8,000," which has implicated over 100 political figures in drug-related corruption. Nine senators are under criminal investigation, as well as the Samper Administration's Comptroller General, the Attorney General, and former senior Samper presidential campaign officials for accepting money or favors from the Cali syndicate or its front organizations.

In August, Fernando Botero, the manager of President Samper's 1994 election campaign and formerly his Defense Minister, was arrested in connection with charges that the campaign was financed by contributions from narcotraffickers. In December, President Samper was absolved of personal responsibility in accepting narco-contributions. The committee's verdict was tainted by allegations of narco-corruption against some committee members, however, and Botero later alleged that President Samper knew and approved of the narco-contributions. The congressional inquiry has been reopened amid considerable public discussion over its ability to carry out a viable proceeding. It is not the stated policy of the GOC to encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances. Law 30 of 1974 prohibits the cultivation and production of narcotic substances. There remain unanswered questions as to whether senior officials of the GOC engage, encourage, or facilitate the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions.

**Agreements and Treaties.** Colombia ratified the 1988 UN Convention in September 1994, but submitted with its instrument of ratification several reservations and declarations, to which the USG has formally objected in a statement to the depository. Colombia is a party to the 1961 UN Convention, the 1972 protocol thereto, and the 1971 UN Convention. It is party to a memorandum of understanding (signed July 1990) on asset sharing with the United States. Colombia and the U.S. also signed in February 1991 a declaration of intent on evidence sharing, however this agreement has been suspended since 1994 due to U.S. concerns over Colombia's ability to safeguard U.S.-provided evidence. Colombia and other Latin American countries have developed with the European Community a draft chemical control agreement which is expected to be signed in 1996. Colombia and the U.S. are parties to a bilateral extradition treaty ratified in 1979 before the 1991 Colombian constitution prohibited the extradition of native-born Colombian citizens. The GOC has not repudiated that treaty



but has said that it will not extradite Colombians. In recent years the GOC has extradited a number of non-Colombians to the United States. The USG and the GOC signed a bilateral agreement on counternarcotics assistance and cooperation in September. The GOC expressed interest in signing a maritime cooperation agreement with the U.S., but did not engage in negotiations by year end.

**Cultivation/Production.** The USG estimates coca and poppy production in Colombia at 50,900 hectares and 2,180 hectares respectively, with an estimated yield of 80 metric tons of cocaine and 6.5 metric tons of heroin respectively. Production of marijuana remained constant at about 5,000 hectares, and marijuana eradication was given low priority. The GOC reports that it sprayed 28,051 hectares of illicit cultivation in 1995. The actual hectareage eradicated has not been verified. Nevertheless, coca production during 1995 increased by an estimated 13% over the previous year, and is double the estimated 25,600 hectares under cultivation in 1987.

In 1995, the first-ever scientific survey of Colombia's opium poppy cultivation was carried out. The results indicated that approximately 2,180 hectares were under cultivation, not 20,000 as had previously been estimated. Under ideal conditions, three crops of opium poppy can be grown on the same land each year resulting in an effective area of 6,540 hectares. The CNP reported it sprayed 3,970 hectares of opium poppy during 1995, but this amount has not been verified.

**Drug Flow/Transit.** Most cocaine base is transported to Colombia by general aviation aircraft from Peru and Bolivia. Cocaine HCl leaves Colombia by multiple routes including general aviation aircraft to Mexico, Central America and the Caribbean; and commercial air and sea cargo shipments in which tons of cocaine are concealed among legitimate goods destined for U.S. and European ports. The GOC strengthened control over ports and the international airport in San Andres considerably during 1995 and reported a markedly reduced use of the island as a transit route. Multi-ton cocaine shipments nevertheless continue.

Opium poppy cultivation in Colombia has increased in recent years. Opiate laboratories are located in urban areas, usually limited in scope, involving small quantities of the drug, chemicals and equipment. Most heroin shipped to the U.S. from Colombia is believed to be carried by couriers on direct commercial flights from major Colombian cities to eastern U.S. ports of entry.

Cannabis cultivations have reappeared in areas where it was grown previously. Most Colombian marijuana is smuggled by sea to Mexico for transshipment by land to the United States. The U.S. is the primary consumer market for Colombian marijuana, but multi-ton shipments have been seized in Western Europe.

**Demand Reduction.** The GOC's National Drug Agency (DNE) administers cost-sharing projects with the UNDCP for drug abuse prevention and education. Local governments contribute funding to cost-sharing demand reduction efforts with the federal government. The GOC works closely with a number of non-governmental organizations through the DNE. The

work of this institution is important given the growing trend in Colombia's drug consumption. An estimated 1.15 million Colombians use marijuana, 343,000 use cocaine derivatives, 338,000 use cocaine hydrochloride, and an undetermined number are addicted to some type of inhalant.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The main focus of USG cooperation with the GOC is to strengthen law enforcement, judicial and other democratic institutions. The USG supports the efforts of the GOC to identify, investigate, prosecute, and appropriately punish narcotics traffickers; to eradicate all illicit cultivation; to stem the illegal diversion of chemicals; to prevent money laundering activities; to develop means for asset seizures; and to strengthen the administration of justice.

**Bilateral Cooperation.** Several USG entities, including the Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL), the U.S. Agency for International Development (USAID), and the Department of Justice International Criminal Investigative Training Assistance Program (ICITAP) as well as the Office of Project Development and Training (OPDAT), cooperate with the GOC on projects. The Department of Justice Drug Enforcement Administration (DEA) works closely with GOC law enforcement agencies.

Through bilateral agreements the Embassy's Narcotics Affairs Section (NAS) assists the CNP Anti-Narcotics Division, the National Department of Security, and the DNE. Projects are outlined in annual bilateral letters of agreement. U.S. support enhanced the capabilities of the CNP to conduct aerial eradication and interdiction operations. The NAS sponsored Department of Defense and commercial aviation training for CNP aviators, mechanics and logisticians. NAS provided parts and fuel to the CNP airwing of 38 helicopters and 12 fixed wing aircraft. The INL airwing provided nine T-65 Turbo Thrush spray airplanes, instructor pilots, and technical advisors to support the CNP eradication project, plus commodities and training assistance to support law enforcement operations.

Colombian justice sector entities are supported by ongoing projects, most notably the \$36 million USAID Justice Sector Reform Project, which was authorized in August 1991. Project objectives are to decrease the backlog of pending criminal cases; to reduce the time required to process cases; and to expand access to the judicial system. Support consists of technical assistance and training managed by ICITAP and OPDAT. During 1995 ICITAP provided training for investigators and judicial police in subjects from crime scene investigation to judicial protection. OPDAT trained 60 prosecutors representing the most critical offices responsible for major prosecutions.

**The Road Ahead.** The USG will continue to support Colombia's efforts to identify, locate, arrest and prosecute narcotics traffickers and their associates. We expect that those found guilty will be sentenced to terms

commensurate with the gravity of their crimes and that they will be forced to relinquish all ill-gotten assets. The USG will also continue to support GOC efforts, in line with GOC goals to eradicate all illicit cultivation by the end of 1996. The USG will assist GOC efforts to reform the judicial system and strengthen national institutions responsible for managing the counternarcotics effort. Attention will be focused on obtaining better money laundering controls and enhancing coastal interdiction capabilities. Success in these areas will depend largely on effective support from the Colombian political establishment. Without that support, even officials with a high level of commitment, such as those of the CNP, the Prosecutor General's office, and a significant portion of the judiciary, will be unable to succeed in countering the corruptive and criminal activities of the Colombian narcotics trafficking syndicates. The USG intends to continue to work closely with Colombia to ensure commitment to our common counternarcotics goals.

## COLOMBIA 1996 INCSR

## Statistical Tables

## TABLES for CY

1995 1994 1993 1992 1991 1990 1989

## COCA\*

Potentially harvestable	[ha]	50,900	44,700	39,700	37,100	37,500	40,100	42,400
Eradication	[ha]	8,750	4,910	793	959	972	900	640
Estimated cultivation	[ha]	59,650	49,610	40,493	38,059	38,472	41,000	43,040
Leaf								
Potentially harvestable	[mt]	40,800	35,800	31,700	29,600	30,000	32,100	33,900

## OPIUM

Potentially harvestable	[ha]	6,540	20,000	20,000	20,000	1,344	-	-
Eradication	[ha]	-	4,676	9,821	12,858	1,156	-	-
Estimated cultivation	[ha]	6,540	24,676	29,821	32,858	2,500	-	-

## CANNABIS\*\*

Harvestable Cultivation	[ha]	4,980	4,986	5,000	2,000	2,000	1,500	2,270
Eradication	[ha]	20	14	50	49	0	500	130
Cultivation	[ha]	5,000	5,000	5,050	2,049	2,000	2,000	2,400
Theoretical Potential Yield	[mt]	4,133	4,138	4,125	1,650	1,650	1,650	2,800
Seized in country	[mt]	-	200	549	206	329	664	708

## Labs Destroyed

Cocaine		396	560	401	224	239	269	452
Morphine/Heroin		11	9	10	7	5		-

## Seizures

Heroin/Morphine Base	[mt]	0.419	0.181	0.261	0.05			
Opium	[mt]	0.078	0.128	0.261	0.43			
Cannabis	[mt]	166	200	549	206	329	664	708
Base and Basuco	[mt]	19.50	32.00	10.40	5.81	9.28	5.80	
Cocaine HCl	[mt]	21.50	30.00	21.76	31.92	77.07	47.27	
Total HCL/Base Seized	[mt]	41.00	62.00	32.16	37.73	86.35	53.07	37.30

## Domestic Consumption

Cocaine (rough estimate)	[mt]	2	2	2	2	2	2	2
Marijuana (rough estimate)	[mt]	2	2	2	2	2	2	2

## Arrests /a

Nationals	persons	1,646			-	-		3,574
Foreigners	persons	99			-	-	-	33
<b>Total Arrests</b>	persons	1,745	2,154	2,562	1,700	1,170	6,150	3,607

\* The estimated leaf-to-HCl conversion ratio is 500:1.

\*\* Reported cannabis cultivation has not been confirmed by USG survey.

\*\*\* Arrest and seizure data were provided by the Colombian National Police, Directorate of Anti-Narcotics. These numbers have not been confirmed independently by the USG.

2/24/96

## ECUADOR

### I. Summary

Ecuador is a major transit country for cocaine shipped from Colombia to the United States and Europe. It is also a money laundering site for Colombian narco-traffickers and a bridge to import essential chemicals for cocaine processing into Colombia. Ecuador is a party to, and has enacted legislation to implement the provisions of, the 1988 United Nations Convention. In 1995, under a 1994 asset sharing agreement, the Government of Ecuador (GOE) and the USG shared \$3.75 million in assets seized from narcotics traffickers in the Reyes Torres case. The Ecuadorian National Drug Council (CONSEP) allocated the funds for counternarcotics purposes. The police dismantled four major trafficking organizations, disrupted transportation networks and made a record 3.59 mt cocaine seizure based in part on information provided by the Police Intelligence Center (CICC). Authorities seized a total of 4.09 mt of cocaine during 1995. Judicial action against jailed Cali-connected trafficker Jorge Reyes Torres continues amidst allegations of corruption in Ecuador's judicial system.

### II. Status of Country

Unlike its two neighbors, Peru and Colombia, Ecuador has never been a major producer, processor or consumer of cocaine. Ecuador eradicated most poppy cultivations in the late 1980's. In 1994 and 1995, U.S. State Department reconnaissance aircraft conducted survey flights to identify coca and poppy cultivations, but found none. Cocaine refining laboratories along the northern border with Colombia are suspected, but the Colombian trafficker and terrorist presence there has prevented verification. Traffickers use Ecuadorian ports extensively to ship cocaine processed in Colombia, and to smuggle essential chemicals into Colombia. In 1995, traffickers also shipped small amounts of heroin out of Ecuador. Owing to Peruvian and Colombian disruption of the narcotics air bridge between those two countries and the relatively understaffed Ecuadorian police force, trafficker use of Ecuador as a transit country may well increase.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Ecuador's preoccupation with the border conflict with Peru and with a corruption scandal surrounding former Vice President Dahik has diverted high level governmental attention from counternarcotics. This preoccupation has resulted in weak policy integration, insufficient coordination among governmental agencies, and a lack of new counternarcotics initiatives. The Ecuadorian government should invest more resources in efforts to reduce narcotics trafficking. It should also actively address the need for judicial reform. A major trafficker tied to the Cali narcotics syndicate, Jorge Hugo Reyes Torres, jailed during a three-year legal proceeding, was convicted on illegal possessions of weapons. Reyes remains in custody as the court system continues to investigate narcotics trafficking charges against him.

Despite a lack of political support in upper levels of the government, working level counternarcotics agencies in Ecuador continue to actively implement individual programs, including a special mobile unit and detector dog units. The police have expanded the canine program throughout the country and now have State Department-funded kennels at Esmeraldas, Mascarilla and other locations on the Pan American highway, and in the Ports of Guayaquil and Machala. The 45 drug detector dogs and the newly completed canine center (USG-, UN-, and GOE-funded) are anticipated to meet current law enforcement, interdiction and training needs.

CONSEP, albeit haltingly, continues to make progress on requiring financial institutions to report transactions of \$10,000 and above or its equivalent. The US Embassy in Ecuador has purchased computers and software to help in the processing of the data, but bank secrecy laws continue to hinder reporting of suspicious transactions.

Construction is well underway on a new counternarcotics training center, funded jointly by the GOE and the USG.

**Accomplishments.** During 1995, National Police seizures of Cocaine HCl increased slightly over 1994, amounting to 4.09 mt. In conjunction with these operations, police arrested close to 100 traffickers, many of them Colombians, and confiscated large amounts of property, vehicles, weapons and sophisticated communications equipment. The Ecuadorian police participated in regional efforts, cooperating with other Latin American counternarcotics services to dismantle trafficking organizations that operate internationally.

On February 21, 1995, the Ecuadorian National Police made the largest cocaine seizure in Ecuadorian history, 3.59 mt of cocaine HCl. The seizure from the Cali-connected Edgar Sisa narcotics trafficking organization reflected a cooperative effort of DEA and police intelligence entities reflected a six month-investigative effort.

**Law enforcement efforts.** In 1995, the GOE dismantled four major trafficking organizations, and disrupted several operations against Ecuadorian-based narcotics transportation networks with ties to the Cali narcotics syndicate. In November, the Ecuadorian police, with USG support, inaugurated a specialized 50-person mobile interdiction unit that will target transportation of drugs and chemicals, particularly along the Pan American Highway.

In accordance with the 1988 UN Convention, the GOE has passed legislation criminalizing the production, transport and sale of controlled narcotic substances; the import, transport and/or use of essential chemicals without the written permission of CONSEP; any attempt to conceal the profits from narcotics trafficking activities; the intimidation or subornation of judicial and public authorities for drug crimes; and illegal association related to drug trafficking and profiteering. The GOE is active in regional, OAS and UN drug control initiatives, and is the regional president of CICAD (the anti-drug commission of the OAS) for 1996.

The GOE has centralized most drug enforcement activities in the National Police. The cessation of hostilities in the border conflict with Peru has somewhat freed the Ecuadorian government to focus on its CN efforts. The Ecuadorian Air Force is working to integrate an Ecuadorian radar at Napo Galeras with existing A-37 interceptor aircraft to develop Ecuador's narcotics air interdiction capability. The Ecuadorian Army has a limited presence in the northern area of Ecuador along the Colombian border, the site of a devastating ambush against the joint police-military counternarcotics force (PFAD) in late 1993 by Colombian guerrillas linked to narcotraffickers.

CONSEP and the police collaborate in chemical control. With USG assistance, the organizations envision the completion of a communications system that rapidly transmits all license approvals by computer modem to the CICC in Quito. The CICC could then track and thoroughly investigate chemical shipments.

Ecuadorian police participate in regional operations, including chemical control, that focus on the Pan American Highway and principal roads leading in and out of the Oriente, Ecuador's eastern region. One such 30-day operation marshalled the forces of Colombia, Peru and Venezuela to interdict chemicals.

The Counternarcotics Training Center (CCA) continues to provide training to police in basic and advanced counternarcotics courses. It provided basic anti-narcotics and intelligence training to over 120 police. The GOE participated in two Maritime Law Enforcement training visits in 1995 under the umbrella of Unitas, a DOD-sponsored exercise with U.S. Coast Guard participation.

**Corruption.** Corruption hinders the functioning of the judicial system and likely impedes effective counternarcotics enforcement in Ecuador. Allegations of misuse of official funds against former Vice President Dahik dominated Ecuador's political scene this year and caused him to flee the country. Episodes of this type have shaken public confidence in the government. Two former police commanders face jail terms for malfeasance while in office.

The 1990 narcotics law contains a provision for prosecution of any government official, including judges, who deliberately impedes the prosecution of anyone charged under that law. Authorities brought charges against approximately ten judges under this provision of the law, indicating the fragility of Ecuador's judicial system.

As a matter of government policy, the GOE does not encourage or facilitate the illicit production or distribution of drugs, other controlled substances or the laundering of drug money. While corruption remains a serious problem, particularly at middle and lower levels of the police and the judiciary, no senior official has been identified as engaged in the production or distribution of drugs or in money laundering of drug proceeds.

**Agreements and Treaties.** Ecuador is a party to the 1988 UN Convention, and has a narcotics law that implements the provisions of that treaty. The GOE is also a party to the 1961 UN Convention, the 1972 Protocol thereto, and the 1971 UN Convention. The government signed the Summit of the Americas money laundering communique in Buenos Aires last December.

In 1991 the GOE and the USG entered into an agreement on measures to prevent the diversion of chemical substances, and in 1992 the two governments concluded an agreement to share information on currency transactions over \$10,000. However, to date neither government has requested information under this agreement.

In 1994, the GOE and the USG signed an asset sharing agreement which allows each country to share with the other assets seized from narco-traffickers, in accordance with the contribution each country made to the seizure of those assets.

The GOE is working to meet the goals and objectives of key areas of the 1988 UN Convention and OAS/CICAD model legislation. Ecuador is attempting to fulfill its commitments under bilateral narcotics agreements, including upgrading its interdiction efforts, reducing the diversion of essential chemicals and beginning implementation of a program to reduce money laundering.

Although the USG and the GOE have a bilateral extradition treaty in force, the Ecuadorian constitution prohibits the extradition of Ecuadorian nationals. The GOE is willing to extradite non-Ecuadorians to the U.S., and has cooperated with the USG in efforts to deport or investigate foreign drug traffickers. The government has participated in preliminary discussions toward the negotiation of a new extradition treaty.

**Cultivation/Production.** There is no significant drug cultivation in Ecuador. Nonetheless, each year GOE authorities identify and destroy a few hectares of coca plants, generally in isolated areas in eastern Ecuador. In the last few years, authorities have located and destroyed sparse and small plots of opium poppy. The government remains vigilant and responds quickly to any reports of cultivation. In a notable development, the Ecuadorians provided permission for aerial eradication during the State Department T-65 Thrush aircraft deployment.

**Drug Flow/Transit.** Ecuador is an important air transit route for unrefined cocaine shipped from northern Peru to southern Colombia for processing, and for refined cocaine moved from Colombia through Ecuador to U.S. and European markets. Colombian traffickers also use Ecuador to smuggle essential chemicals into their country. Traffickers use the Pan American Highway extensively to transport both processed cocaine and essential chemicals, but they also smuggle essential chemicals through eastern Ecuador into southern Colombia. Trafficker aircraft have also flown large quantities of unrefined cocaine from northern Peru through Ecuadorian airspace to Colombia. However, Ecuador's radar at Napo Galeras and effective Peruvian interception of drug aircraft have forced trafficker pilots east into Brazil. The GOE is upgrading an airfield in eastern Ecuador to establish its own intercept capability.



**Demand Reduction.** Drug use is increasing in Ecuador, particularly in coastal cities. However, an assessment of the overall level of drug consumption would require study to effectively measure its threat to society. CONSEP's increased involvement, with USG assistance, in drug prevention activities has fostered a nationwide epidemiological study on rising drug use in Ecuador. CONSEP representatives regularly participate in regional and other fora on drug prevention and rehabilitation. Public institutions, including the military, are required to establish drug prevention programs in the workplace. The Ministry of Education, with USG assistance, carries out a national program to provide anti-drug training to teachers at both the primary and secondary levels.

#### **IV. US Policy Initiatives and Programs.**

USG counternarcotics policy in Ecuador aims to increase the institutional capability of the GOE to target major narco-traffickers; intercept the flow of drugs and chemicals into, through and out of Ecuador; reduce the laundering of illicit drug money through Ecuadorian banking and other financial institutions; and effectively prosecute arrested traffickers. The Embassy works with the National Police, CONSEP, the armed forces, and various non-governmental organizations (NGOs) to implement the policy. USAID's Rule of Law program addresses systemic weaknesses in the judicial branch and improves the administration of justice.

Ecuador is particularly susceptible to money laundering. The Narcotics Affairs Section (NAS) at the U.S. Embassy is working closely with CONSEP to develop a program for bank reporting of all large and/or suspicious bank transactions. The Superintendency of Banks (SOB) is supportive of the active role CONSEP is playing in reducing money laundering. More SOB input and facilitation of police investigations would demonstrate increased Ecuadorian resolve to reduce money laundering. CONSEP also plans in 1996 to require all persons entering or leaving Ecuador to declare any negotiable instruments above USD 10 thousand.

The USG is working with the National Police to establish two major inspection stations on the Pan American Highway and the route to Ecuador's eastern region. Both sites will allow detector dogs access to inspect cargo thoroughly.

Ecuador's radar at Napo Galeras monitors drug aircraft overflying eastern Ecuador to and from Colombia and Peru. USG-provided communications equipment will enable the USG to benefit from Ecuadorian-provided information on narcotics flights in the Andes.

**Road Ahead.** During 1996, the USG will continue to support CONSEP to fulfill its mandate of coordinating the drug effort there. USG CN policy efforts will focus on enhancing police-military cooperation in support of CN efforts. We will encourage the Ecuadorian government to provide a more substantial operating budget to CONSEP, particularly to improve its ability to control chemical diversion and money laundering. USG assistance will focus on continued improvement of counternarcotics police forces, prosecution of traffickers, and increased effectiveness of the judicial system.

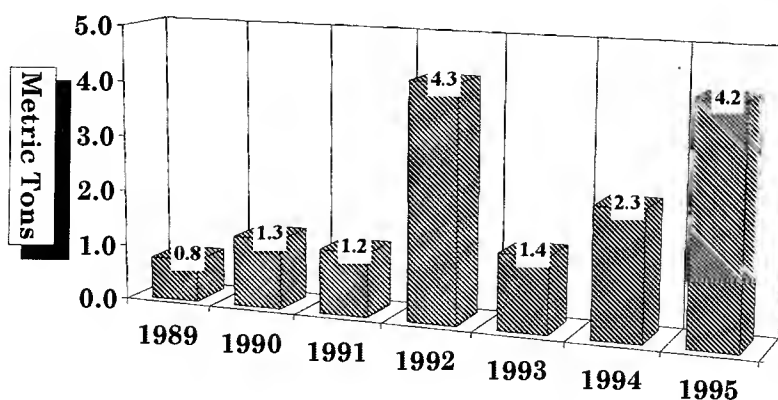
ECUADOR 1996 INCSR

Statistical Tables

TABLES for CY		1995	1994	1993	1992	1991	1990	1989
<b>COCA</b>								
Harvestable Cultivation	[ha]	0	0	0	0	40	120	150
Eradication*	[ha]	-	3	5	3	80	30	90
Cultivation	[ha]	-	3	5	3	120	150	240
Plants eradicated			15,013	26,325	15,400			
<b>Seizures</b>								
Cocaine	[mt]	4.090	2.161	1.039	3.750	0.858	0.561	0.299
Base, paste	[mt]	0.125	0.163	0.335	0.505	0.305	0.707	0.460
Marijuana	[mt]	0	0.127	0.183	0.631	0.171	0.404	0.273
Total Cocaine products	[mt]	4.2	2.3	1.4	4.3	1.2	1.3	0.8
Heroin	[mt]	0.053	0.023	0.027	0.003	0	0	0
<b>OPIUM</b>								
Plants eradicated		-	1,425	17,669				
<b>Arrests</b>								
Nationals		1,858	3,372	2,775	1,810	2,794	3,147	2,440
Foreigners		356	201	213	165	198	220	110
Total Arrests		2,214	3,573	2,988	1,975	2,992	3,367	2,550
Cocaine Labs Destroyed		0	0	0	0	4	1	2
<b>Chemicals Seized:</b>								
Acetone	Liters	4,092	4,225	0	0	0	75	
Ether	Liters	-	-	220	0	0	44	
MEK	Liters	1,300	-	0	0	2,200	75	
Thinner	Liters	1,204	-	0	0	440	0	
Sulfuric Acid	Liters	4,667	3,859	0	0	0	10	
Acetic acid	Liters	0	295					
<b>Assets Seized:</b>								
Vehicles	items		70	58	22	23	33	
Motorcycles	items		7	5	4	4	2	

\*Estimates based on a conversion ratio of 5,000 plants per hectare.

ECUADOR: Cocaine/Base/Paste Seizures 1989-1995



ECUADOR 1996 INCSR

## PARAGUAY

### I. Summary

Paraguay, a transit country for Bolivian and Colombian cocaine en route to Argentina, Brazil, the U.S. and Europe, and a producer of high-quality marijuana, still falls far short of meeting the goals and objectives of the 1988 UN Convention, to which it is a party. The weakly regulated financial sector is vulnerable to money laundering, and there are strong indications that such activity is occurring. In response to last year's certification decision, the GOP created an independent investigative unit which conducted a high-profile drug bust in December. The GOP independently launched a campaign to destroy marijuana cultivation near the Brazilian border, seized tons of the harvested crop, and destroyed a number of illegal airstrips. The Government also initiated judicial reform efforts in March, appointing an independent supreme court, a process which, in the long term, should enhance Paraguay's ability to confront drug trafficking and corruption. President Wasmosy and other high-level GOP officials have declared their commitment to combat drug trafficking. On the whole, however, this has translated into very limited action against major drug traffickers and money launderers due to a lack of political will, a legal system under reform but still weak, scarce resources and public corruption.

### II. Status of the Country

Paraguay's central location in South America, its extensive river network, numerous unregistered airstrips, poorly policed borders, widespread official corruption and long-time status as a major smuggling center facilitate the transit of what intelligence sources report are monthly, multi-hundred kilogram loads of cocaine. This cocaine originates primarily in Bolivia but Colombian cocaine also is shipped through Paraguay to Argentina and Brazil for onward shipment to the U.S. and Europe.

Paraguay subjects its formal financial sector to weak regulation, and does not exercise supervision over a large informal financial sector which services the contraband economy. This makes Paraguay an inviting environment for money launderers. There are credible indicators that significant money laundering exists, as domestic economic conditions do not fully explain heavy construction activity, openings of new shopping malls and retail businesses, and the repatriation of excess U.S. currency totalling USD 4.2 billion in 1994 and USD 1.7 billion in 1995. Most of this money laundering is believed to be connected to the border re-export trade.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** The anti-narcotics executive secretariat (SENAD) initiated a significant marijuana eradication campaign and revitalized and restaffed the anti-narcotics police (DINAR) investigative unit. The GOP renewed its permission for USG counternarcotics aircraft to operate from and over Paraguay. The Chamber of Deputies passed a bill to criminalize money laundering that did not meet the requirements set forth

in the 1988 UN Convention. The bill has been rejected by the Senate, which is in the process of developing a new proposal. The Congress also is considering a GOP-proposed revision of the national anti-narcotics law that would authorize undercover operations and controlled deliveries. The GOP has yet to adopt a national drug control strategy or a timetable for meeting the objectives of the 1988 UN Convention.

**Accomplishments.** SENAD seized a total of 59 kilos of cocaine in 1995, but the new DINAR investigative unit showed promise in December 1995 by making a 31-kilo cocaine seizure and arresting a senior regional customs official. SENAD seized some six metric tons of packaged marijuana and destroyed 602 hectares of cannabis plants, respectively eleven and twice as much as in 1994. In January 1995 Paraguay promptly extradited a suspected drug trafficker to the U.S. SENAD authorities take part in meetings with regional law enforcement counterparts aimed at developing mechanisms for Southern Cone anti-narcotics cooperation. Congress approved a GOP-requested doubling of SENAD's budget for 1996, including the purchase of two helicopters. A thorough reform of the judiciary was begun in 1995, and similar reforms of antiquated criminal and criminal procedure codes are planned for 1996.

**Enforcement Efforts.** Paraguay provided only modest anti-narcotics cooperation to the U.S. through the first nine months of the year. Efforts were hampered by an April car accident that injured the SENAD director and killed his deputy. In October, the DINAR investigative unit was completely overhauled and quickly showed results by making the above-mentioned 31-kilo cocaine seizure. Paraguayan law enforcement agencies still do not focus their efforts on major drug traffickers and organizations which operate primarily in the border region. In 1995 there were 237 drug-related arrests. Of that total, 175 individuals were imprisoned for drug offenses, though all were either low-level traffickers or campesino cannabis cultivators. In December the GOP commenced a campaign to close clandestine airstrips near the Brazilian border, and also created interagency task forces on cross-border security issues and monetary flows.

**Corruption.** Public corruption remains a problem. However several high- and mid-level GOP officials were removed from their positions in 1995 following allegations of corrupt activity. Judicial reforms initiated in 1995 ultimately should result in prosecutions of corrupt officials, however, effective measures to prevent and punish public corruption in general, or specifically with respect to narcotrafficking, are not yet in place. Law 1340 of 1988 subjects public functionaries that engage in narcotics-related offenses to the maximum applicable penalties. No government officials were convicted for narcotics-related offenses in 1995, although a senior regional customs official was arrested.

As a matter of government policy, Paraguay does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Several senior government and military officials are suspected of engaging in, encouraging, or facilitating the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions. No hard evidence has been discovered, however, to confirm these suspicions.

**Agreements and Treaties.** Paraguay ratified the 1988 UN Convention in 1990, but it has made little progress toward meeting its goals and objectives. Paraguay is party to the 1961 Convention and its 1972 protocol, and to the 1971 Convention. Paraguay has signed a number of bilateral and tripartite narcotics cooperation agreements with Argentina, Brazil, Bolivia and Venezuela. Paraguay initiated legislative efforts and programs designed to meet the objectives of its bilateral counternarcotics agreement with the U.S. in 1995, but concrete achievements were limited. Paraguay also has agreed to the Declaration of Principles and Plan of Action adopted at the Summit of the Americas and at the 1995 hemispheric money laundering ministerial. Paraguay and the United States have an extradition treaty, which was used by Paraguay to extradite a suspected cocaine trafficker to the U.S. in 1995. The United States and Paraguay also have entered into a Financial Information Exchange Agreement.

**Cultivation and Production.** Cannabis is the only illicit crop cultivated in Paraguay, and it is harvested throughout the year. The GOP's rough estimate is that 2,000-2,500 hectares are under cultivation. There is evidence that minor quantities of liquid cocaine are produced in the Ciudad del Este area.

**Drug Flow/Transit.** Intelligence reports indicate that up to 1,000 kilograms of cocaine transit Paraguay monthly, mostly from Bolivia. Colombian cocaine also is penetrating Paraguay, as evidenced by the seizure of 756 kilos in 1994 and 31 kilos in 1995 linked to the Cali drug mafia.

**Demand Reduction Programs.** Paraguay has a relatively small but growing substance abuse problem. SENAD coordinates educational activities with the Ministries of Health and Education, as well as with non-governmental organizations (NGO's).

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG priorities are to urge the GOP to do the following: disrupt drug trafficking through the formation and training of an effective investigative capability; combat money laundering through enactment of a law criminalizing such activity followed by the creation of an interagency financial crimes unit; decrease public corruption that facilitates illegality; strengthen democratic institutions, especially those connected to law enforcement; and increase public awareness of the threat drugs pose to Paraguayan society and democracy.

**Bilateral Cooperation.** The USG provided technical, communications, intelligence and financial assistance for thirteen counternarcotics field operations in 1995. DEA provided an aerial survey team that identified cannabis fields. The Department of State provided funding for detector dog support, communications and computer equipment, boats, global positioning systems, and weed cutters for cannabis eradication. DoD provided training for police and military counterdrug units.

**The Road Ahead.** The GOP must demonstrate the political will to take effective measures against drug trafficking and money laundering to ensure future USG cooperation. This means investigating major cocaine traffickers and transit routes, making significant seizures and arrests, and criminalizing money laundering. During 1996 the USG will seek to strengthen DINAR's investigative unit through technical and equipment assistance, work with the executive and legislative branches on passage of money laundering legislation, cooperate with the executive branch and SENAD on the drafting and adoption of a national drug control strategy, and provide a U.S. Customs Service training team to conduct an interdiction training program.

## PERU

### I. Summary

During 1995, Peru took actions to meet the goals and objectives of the 1988 UN Convention in most respects. Peru is the world's largest producer of coca, with 115,300 hectares under cultivation in 1995. U.S.-supported Peruvian Air Force (FAP) efforts reduced air exports of cocaine base to Colombia in 1995, causing a dramatic decrease in prices paid to Peruvian coca farmers. The FAP effort reportedly led a significant number of farmers to forego harvesting coca leaf, thus reducing production of cocaine base during the year. Peruvian drug trafficking organizations are refining more cocaine hydrochloride (HCl) in Peru, as evidenced by an increase in the amount of cocaine HCl seized (7.7 metric tons) within Peru in 1995. The Government of Peru (GOP) approved a U.S.-funded alternative development project in April to reduce coca cultivation. The program provides coca farmers with viable legitimate employment and income alternatives, road rehabilitation, community development, land titling and credit activities. The National Drug Control Plan approved in 1994 by the GOP is not yet supported by sectoral plans and programs. The GOP presented a law to establish a drug policy planning and coordination office to the congress in November. The GOP continued systematic eradication of coca seedbeds, totaling 253,673 square meters (estimated equivalent to 16,912 hectares of mature cultivation). Despite USG urging on the need to reduce mature coca cultivation, the GOP did not implement a mature coca eradication policy. Although many police and armed forces officials faced drug corruption charges in military and civilian courts, many cases were not pursued. Corruption, exacerbated by inadequate salaries, remained an impediment to drug law enforcement. Despite the lack of mature coca eradication by the GOP, its law enforcement interdiction efforts in 1995 created some of the conditions necessary for alternative development efforts to reduce coca cultivation in coca-growing communities.

### II. Status of Country

Peru's 115,300 hectares of coca estimated by the USG annual crop survey in 1995 is nearly 60 percent of the world total, and provides raw material for about 80 percent of all cocaine consumed in the U.S. This is an increase of 6% over the 1994 coca cultivation estimate.

Peru has been mainly an exporter of semifinished raw material (cocaine base) for processing in Colombia, but in 1995 there was evidence of more processing of cocaine hydrochloride in Peru for export to Mexico or other destinations, bypassing the historical Colombia connection. Coca is grown by individual farmers, most of whom process it themselves and sell cocaine base to trafficking organizations. The trafficking organizations are purchasing, consolidating and exporting cocaine base, but more of these organizations now process cocaine hydrochloride within Peru. Until 1995, most cocaine base moved out of Peru by twin-engine general aviation aircraft, typically Colombian. Because of the successful air interdiction effort in 1995, the few remaining points for cocaine base exports were illegal airstrips on the Brazilian and Colombian borders.

Peru is not a significant international money laundering center, but deregulation and full convertibility of the Sol under President Fujimori's economic reform program make it relatively simple to manage illegal funds repatriated for raw material purchase, bribes/corruption, personal consumption, and growing investment in licit sectors. Exchange houses (*casas de cambio*) remain largely unregulated, and are regularly used for the repatriation of drug-related and other illegally generated monies.

Most chemicals essential to cocaine base processing are produced domestically. Potassium permanganate, organic solvents and chemicals for cocaine hydrochloride processing are imported in licit commerce, diverted and moved by land from the Pacific coast to trans-Andean jungle areas. The GOP-controlled chemical regulatory system includes a joint office of the Ministry of Industry (licensing and regulation of licit manufacture, import, sale and use), National Police Anti-Drug Directorate (DIRANDRO, responsible for countering diversion and illicit trafficking) and the Customs Service (international commercial points of entry). It is assessed by DEA as one of the most advanced in South America.

Recurrent rumors of opium poppy cultivation were again substantiated in part by small seizures of opium latex, and discovery and destruction of small experimental plots, or seed cultivation. There has been no confirmed identification of poppy cultivation on a commercial scale.

### **III. Country Action Against Drugs in 1995**

In 1995, the GOP took concrete actions toward meeting goals and objectives of the 1988 UN Convention in most respects, and took measures to punish numerous officials, including senior officials, for drug-related corruption.

**Policy Initiatives.** UNDCP considers the 1994 GOP National Plan for Drug Prevention and Control one of the best in the region. Its goal is reduction and ultimate elimination of coca destined for illicit drug production, with an objective of reducing the farming population economically dependent on coca by half during the plan's life (1995-2000). Drug policy was not a significant issue in the 1995 Peruvian presidential campaign. All candidates agreed that the cocaine industry is bad for Peru and that the GOP should act against it. There were antidrug activities by many GOP agencies, but national planning and preparation of sectoral plans called for in the national plan lagged. A draft law to establish a national drug policy planning and coordination institution, recommended by the plan, was presented to congress in November. Approval is expected in the first quarter of 1996. A new code of criminal procedure, which will improve the effectiveness of drug case prosecution, was approved in December but has not yet been implemented. Peru worked in close diplomatic cooperation with the USG to elicit Brazilian engagement against airspace violations by drug trafficking aircraft evading GOP air interdiction, and supported common action by the five Andean countries to negotiate identical agreements for chemical control with the European Union.



**Accomplishments.** The GOP continued systematic destruction of coca seedbeds, by year end manually eradicating 253,673 square meters, equivalent to 16,912 hectares of mature cultivation. The GOP arrested and extradited narcotics fugitives to Italy and Switzerland. In addition, it arrested a Colombian wanted in the United States, and at the end of the year, was holding him pending extradition. The GOP also cooperated with Colombian authorities and several European countries in drug trafficking investigations.

In March, the GOP and UNDCP, with German funding, began an alternative development project to reduce coca cultivation in the Apurimac Valley. In May, with over \$30 million in USG funding, the GOP began a five-year alternative development project whose goal is a 50 percent reduction in coca cultivation in beneficiary areas in the Upper and Central Huallaga, Aguaytia, Pachitea and Apurimac valleys, by verified voluntary action of beneficiary communities or individuals, or by the GOP with their consent and cooperation. These projects are complemented by major World Bank and Inter-American Development Bank projects to rehabilitate over 1500 kilometers of roads, and improve electric power facilities. Despite urging by the USG, UNDCP and other donors, the GOP presented no complete program of drug-related development aid requirements to the World Bank Peru Consultative Group in October, and at year's end had yet to present additional alternative development proposals to other donors. In the economic conditions created by enforcement activities described below, these projects clearly suggest the long-term viability of this model for voluntary coca reduction, but had not yet caused a quantitative reduction in mature coca in the 1995 crop survey.

**Law Enforcement Efforts.** The GOP reported seizure of 22 metric tons (mt) of narcotics, including 15 mt of cocaine base and, for the first time, large seizures of (7.7 mt) of cocaine hydrochloride. Most of the cocaine hydrochloride was seized in two incidents: about 3.3 mt in January in Piura during the dismantling of the Lopez Paredes trafficking organization that was exporting multi-ton quantities of hydrochloride by sea to Mexico; and about 4.1 mt at Lima airport in September, at the request of USG and Bolivian authorities, from a Bolivian DC-6 that stopped to refuel en route to Mexico.

In June, at GOP request, Colombia arrested major trafficker Abelardo Cachique-Rivera in Cali and expelled him to Peru. Convicted of drug trafficking and supporting terrorism, he is serving a 30-year sentence. Statements in his interrogation led to seizure of property and assets worth several millions, and the arrest of relatives and others, which substantially disrupted his organization, as well as initiating investigations of a number of police and military officers who he alleges he bribed.

The most notable initiative against illicit trafficking was FAP interdiction of drug exports by air to Colombia. USG data collection and sharing, suspended in 1994 and during the border conflict with Ecuador, resumed in March. Since then, FAP A-37B and T-27 "Tucano" aircraft have intercepted numerous aircraft operating illegally that were carrying narcotics and/or cash proceeds from narcotics transactions. Over 23 narcotics aircraft were

forced down, seized and/or destroyed. As a result, narcotics-related flights decreased by 47 percent compared to 1994. Prices paid by trafficking organizations to farmers for cocaine base (and prices quoted by farmers for coca leaf, though there is little actual cash sale in that form) fell to record low levels, resulting in pleas for alternative development or in some areas, food relief from actual hunger. This sharp price reduction reportedly led significant numbers of coca farmers (33 to 50 percent of growers in most affected areas, according to some reports) to forego harvesting in the second half of the year, correspondingly reducing the share of potential coca leaf production actually processed to cocaine base. While GOP police, armed forces, judicial and regulatory efforts against illicit trafficking undoubtedly played a contributory role, the drastic price drop is fundamentally a direct consequence of the USG-supported FAP air interdiction effort. These are the precise economic circumstances required for the alternative development concept to work in Peru.

**Corruption.** As a matter of government policy or practice, the GOP does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, nor the laundering of proceeds from illegal drug transactions. No senior official of the GOP is known to engage in, encourage or facilitate the illicit production or distribution of such drugs or substances, or the laundering of proceeds from illegal drug transactions.

Corrupt association with drug trafficking by a GOP official is an aggravated offense with severe penalties. The Fujimori government has repeatedly declared its policy of acting against official corruption. One former army general officer (1991 Huallaga front political-military commander) is in jail pending completion of his drug corruption case in civilian court. However, prosecutorial efforts against two army general officers named by jailed trafficker Abelardo Cachique Rivera, and several other army officers apparently failed as a result of the military's unwillingness to transfer the accused to the jurisdiction of the civilian judiciary. Other allegations of drug-related official corruption were avidly pursued by the Peruvian media, which throughout 1995 reported numerous instances of armed forces or police officials disciplined, dismissed or delivered to civilian criminal court jurisdiction for drug-related corruption. In November, there was a major public uproar over media reports that senior police officials put residences seized from drug traffickers to personal use. There was no direct corrupt association with traffickers as such, but the universal public outrage was impressive.

Despite GOP measures, official corruption exists, and does impede drug law enforcement. The problem is exacerbated by seriously inadequate official salaries. This is a pervasive individual phenomenon, not an institutional one. There is no evidence of tightly organized corruption which funnels money to higher levels in a structured manner.

**Agreements and Treaties.** Peru has been party to the 1988 UN Convention since 1992. It is also a party to the 1961 UN Convention, the 1972 Protocol thereto, and the 1971 UN Convention. Peru chairs an OAS/CICAD working group on alternative development. Peru has drug cooperation agreements

with most South American countries and major European states. Peru participated actively in the Summit of the Americas follow-up ministerial meeting on money laundering in December. Peru and the USG have an extradition treaty in force, signed in 1899. Preliminary discussions are underway between the two governments regarding negotiation of a modern treaty. Peru and the USG have entered into, but not yet made use of, a Financial Information Exchange Agreement to facilitate the exchange of money laundering information.

**Cultivation/Production.** In addition to coca and poppy cultivation discussed above, there is small-scale cannabis cultivation in several areas. In 1995, several hectares of cannabis were found near Huanuco. Over four tons of harvested leaf were seized and destroyed. Production of pharmaceuticals is not subject to adequate control and commercial sale is relatively unrestricted, but illicit traffic and abuse do not appear to be major problems. There was no use of aerially-applied herbicides for drug crop control purposes in Peru in 1995.

**Drug Flow/Transit.** In 1995 there was continuing traffic in coca leaf, cocaine products and some controlled chemicals across the border from Bolivia near Lake Titicaca. Evidence is growing of cocaine base export in small quantities over land borders with Chile and Ecuador.

**Domestic Programs/Demand Reduction.** Cocaine abuse and quality of drug education and treatment are matters of public concern. In recent non-government surveys, significant numbers of respondents reported abuse of some form of processed cocaine. Abuse of inhalants by young people, especially street children, is also a major concern. The most active drug awareness agency is the USAID-supported non-government organization, Center for Information and Education Against the Abuse of Drugs (CEDRO). Education Ministry drug awareness material has been incorporated, with USAID support, in secondary school curricula. Its technical group -- the Technical Committee on Drug Abuse Prevention (COPUID), is taking a visible role as policy advocate for drug awareness and prevention on a government-wide basis, and UNDCP is seeking funding for drug awareness in primary school curricula. As a result of these efforts, CEDRO's latest public opinion surveys reveal that approximately 52 percent of the Peruvian population recognize drugs as one of the country's major problems.

#### **IV. U.S. Policy Initiatives and Programs**

**U.S. Policy Initiatives.** The USG goal is to reduce, and ultimately eliminate, production of cocaine, by developing autonomous GOP institutional capability to define and implement a comprehensive counternarcotics strategy. This goal coincides with the goal of the GOP National Drug Control Plan and GOP counternarcotics efforts in the field. As a result, USG assistance that aids the GOP in its National Drug Control Plan is usually accepted and used with good results.

**Bilateral Cooperation (accomplishments):** In 1995, the GOP responded to the first USG request in years for extradition of a drug fugitive by deeming the existing 1900 extradition treaty with the USG applicable to drug offenses. The USG made no requests for drug-related cooperation under other existing bilateral agreements, including cash transactions and tax

information exchange. The current INL project agreement entered into force on August 29, 1994. The GOP has requested, and the USG has agreed, to review bilateral cooperation, as outlined in the narcotics control agreement of May 1991. As review of that underlying agreement was not completed in 1995, the existing project agreement was extended by mutual agreement to cover FY-1996. In November, the GOP presented a draft replacement for the 1991 agreement, which was being reviewed by the USG as the year ended. A new bilateral agreement, and related project agreement for FY-1996, are anticipated in the first half of this year. The GOP has met goals for 1995 in the agreement for the bilateral alternative development project. Coca seedbed eradication was reduced at certain times in 1995 when the national police declined to approve support by INL-owned, police-operated helicopters for eradication beyond the level established as the minimum monthly goal in the bilateral agreement (15,000 square meters/month). In 1995, the national police breached the bilateral agreement by assigning six helicopter pilots to other duties without USG agreement, less than two years after they completed training in the U.S. with INL funding. The GOP has made no formal comment, but there were no further unilateral reassignments, and the police indicated informally that no more are planned.

**Road Ahead.** Regardless of means or resources, eliminating an illegal industry of the scale and geographic scope of the Peruvian cocaine industry in the near term is not possible. The GOP has the will to use its limited resources to attain common counternarcotics goals, but obstacles remain formidable. Mature coca reduction is an integral part of a long-range narcotics-related alternative development strategy. Such a strategy is focused on permanently reorienting the rural labor force to licit economic activities that will provide a sustainable reduction in coca cultivation on a national basis, and prevent the recurrence or re-establishment of coca cultivation. Realistic objectives for 1996 are: (1) the GOP will establish its national drug planning and coordinating institution, and complete the essential implementing plans under its national plan; (2) GOP interdiction and enforcement efforts (with such USG support as may be available) will sustain (if perhaps at a lesser level) the significant disruption of coca producer earnings observed in 1995; (3) the USG-supported alternative development project will produce identifiable cases of farmers who abandon and eliminate mature coca cultivation in favor of other crops; (4) the GOP will continue to destroy all poppy found in Peru, and will check mature coca cultivation in the Aguaytia-Pachitea areas and forestall the reintroduction of coca in the Upper Huallaga; (5) GOP efforts against drug-related corruption will become an institutionalized deterrent to such corruption in the armed forces and police; (6) an intensive U.S. Customs training assistance program will deliver an interdiction training course, an assessment of the Peruvian Customs training academy, and on-site surveys/training for officials of major commercial air carriers.

## Statistical Tables

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>COCA /a</b>							
Harvestable Cultivation	[ha]	115,300	108,600	108,800	129,100	120,800	121,300
Eradication*	[ha]	0	0	0	0	0	0
Cultivation	[ha]	115,300	108,600	108,800	129,100	120,800	121,300
Potentially harvestable leaf	[mt]	183,600	165,300	155,500	223,900	222,700	196,900
<b>Seizures</b>							
Coca Leaf	[mt]	40.1	25.2	-	25.0	5.95	38.52
Paste	[mt]		**	7.7	0.75	1.07	-
Cocaine HCl	[mt]	7.70	0.10	0.47	0.23	0.76	-
Cocaine Base	[mt]	15.00	10.60	5.3	6.7	4.41	-
Total Cocaine HCL/Base/Paste**	[mt]	22.70	10.70	5.77	6.93	5.17	8.50
Aircraft	items		4	13	7	10	-
<b>Arrests</b>			6,586	4,824	3,707	2,055	-
<b>Labs Destroyed</b>							
Base	17	21	21	38	88	89	151
HCl	2	0	0	0	0	0	
Total	19	21	21	38	88	89	
<b>Domestic Consumption</b>							
Coca leaf	[mt]	10,000	10,000	10,000	10,000	10,000	10,000
<b>Users (thousands)</b>							
Coca		3,000	3,000	3,000	3,000	3,000	3,000
Cocaine		-	-	-	-	-	-
Other Coca		-	-	-	-	-	-

\* In 1994, Peruvian authorities report destroying 74,399 square meters of seedbeds, equal to 4,959.9 hectares of mature cultivation.

\*\* In 1994, only a combined figure of 10,540.8 kgs of coca paste and cocaine base was reported. Peruvian National Police statistics do not distinguish between coca paste and cocaine base. The most common form of coca leaf processing in Peru, characteristic of 70 percent or more of all coca leaf, results in cocaine base of varying purity. Most of the product seized annually is cocaine base. This figure probably includes trace amounts of paste, but for statistical purposes is almost exclusively cocaine base.

- (a) Hectareage data for previous years has been corrected to more accurately reflect Calendar Year rather than Fiscal Year. Some adjustments in hectareage were also necessary to correct previous errors in displaying gross rather than net cultivation.
- (b) Production data for previous years has been recalculated at the rate of 1:1.14 metric tons/hectare rather than 1:1.0 or 1:0.3 metric tons per hectare. Conversion ratios for leaf -to-HCl range between 322:1 and 345:1.
- (c) Not broken down into Base and HCl in previous years.

*Note: The Government of Peru eradicated 19.7 hectares of opium poppy and destroyed an additional 5,300 plants in 1994. There is no known significant consumption of heroin in Peru.*

## URUGUAY

### I. Summary

Uruguay's regional importance in banking and finance and its bank secrecy laws make it particularly vulnerable to money laundering. Drug cultivation and precursor chemical production are not problems in Uruguay. Uruguay is a transit country for narcotics moving to the U.S. and Europe. A new Drug Czar, with the strong support of President Sanguinetti, has undertaken a serious effort to coordinate and centralize all counternarcotics efforts. He is preparing a new money laundering bill which conforms to U.N. and CICAD standards. U.S. counternarcotics cooperation with the Government of Uruguay (GOU) is very good.

### II. Status of Country

Uruguay possesses a sophisticated banking system which, coupled with economic and political stability, attracts foreign bank deposits, primarily from Argentina and Brazil. This was especially true during the Mexican financial crisis of 1994-1995, when millions of dollars fled Argentina and Brazil and found haven in Uruguay. Liberal currency exchange, bank secrecy laws, and offshore banking which allows depositors to have dollar accounts not only make Uruguay an attractive regional financial center, but also make it potentially vulnerable to money laundering. Although banks and exchange houses must record all transactions in excess of \$10,000, the Central Bank does not routinely review these financial activities. Currently, money laundering is not a crime in Uruguay -- the existing laws are set up to penalize money laundering only if linked with some other illegal activity, rather than as a "stand-alone" crime. The GOU recognizes the seriousness of the problem, however, and has prepared a money laundering bill meeting CICAD and 1988 UN Convention standards, which it will present to Parliament in early 1996.

Most of the narcotics transiting Uruguay are destined for the U.S. or Europe. Although drugs pass through Uruguay by individual couriers ("mules") on flights or by redirected shipment using common mail services, the U.S. embassy in Uruguay believes that the bulk of transshipment is by maritime containerized cargo. Northern Uruguay is also vulnerable; its border with Brazil is increasingly used for transportation, by air and truck, of marijuana originating from Brazil and Paraguay, and cocaine from Bolivia and Colombia easily crosses through the Northern Argentine border.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** A new drug czar, Alberto Scavarelli, took office in March 1995, and is centralizing and coordinating all counternarcotics efforts. He has implemented a new and comprehensive demand reduction program and has drafted a new money laundering bill which will go before Parliament in early 1996. According to Minister Scavarelli, the money laundering bill meets the CICAD and 1988 UN Convention standards and is based on U.S., European and Japanese model legislation.

**Accomplishments.** The various enforcement agencies are now working together and sharing information for the first time in Uruguayan history. Uruguay's Senate ratified the 1988 UN Convention in September 1994, and deposited its instrument of ratification in March 1995. Reflecting Uruguay's increasing international role, Minister Scavarelli is also vice president of the U.N. Drug Commission and president of the OAS working group on Measures and Actions Against Narcotrafficking For The 21st Century.

Uruguay has no known drug cultivation or production. It continues to be a transit point for narcotics enroute to the U.S. and Europe. The GOU has cooperated closely with USG, Argentine, and Brazilian officials on crossborder movement of persons and narcotics. Recent large seizures occurred in Rivera Province as the result of such unprecedented close cooperation. In March 1995, Uruguay signed an agreement with Mexico, under CICAD auspices, setting up a data bank exchange of information useful in coordinating counternarcotics efforts.

Although current law allows asset seizure if performed in accordance with a judicial order, until recently, the GOU has not seized the assets of drug traffickers. In November 1995, Uruguayan authorities confiscated an airplane and land vehicles of drug traffickers in a major operation, but under the current law it is not clear if they have authority to dispose of those assets. According to GOU sources, the new projected money laundering bill would confer considerable authority on the police to confiscate assets, and special powers on judges in connection with asset seizure.

Narcotics use is on the increase, but is still not a major problem. GOU officials are determined to stop growing drug use among Uruguayans. A new demand reduction program aimed at schools is underway. The first phase will extend to Montevideo and then, after evaluation and adjustment, to the rest of Uruguay.

Uruguay has cooperated with the USG on all narcotics-related extraditions (except those that relate exclusively to money laundering, since that is not a crime in Uruguay), with the extradition to the U.S. of Raul Vivas and Mendez Patino serving as examples.

Since 1976, Uruguay has had strict controls in place against the production and shipment of precursor chemicals. Control is exerted by means of obligatory import certification and also required registry with the Chemical Division of the Ministry of Public Health. The anticipated money laundering bill contains provisions to strengthen and expand the GOU's control capability in accordance with model CICAD regulations.

**Law Enforcement Efforts.** Local agencies are working closely together for the first time in Uruguayan history. There has been a dramatic increase in the amount of drugs confiscated in 1995 compared with 1994. The U.S. embassy believes that these figures reflect Uruguay's increased effort, under the direction of its new Drug Czar, to interdict more aggressively. Recent seizures bolstered police morale considerably, despite the police being woefully underpaid and poorly equipped. The GOU is working to bolster law

enforcement efforts. GOU law enforcement agencies operate within a legal framework which is extremely careful to protect privacy rights (as a reaction against widespread human rights abuses during the military dictatorship). As a consequence, law enforcement measures which would be effective against money laundering or narcotics trafficking, for example, are likely to come under careful scrutiny.

**Corruption.** A proposed law before Parliament, the "Ley Cristal" or Transparency Law, is designed to fight corruption. There is no evidence that any senior GOU official engages in drug production, distribution or money laundering. The new citizen security law strengthens the accountability of all public officials -- officials who know of a drug-related crime or incident and do nothing about it will be guilty of a "crime of omission." However, most lower ranking public officials (including police, customs, and investigative officials) work at second jobs because of their low salaries. As an example of the problems this can cause, several officers lost their second jobs because they were in the field for an extended period of time during a counternarcotics operation.

**Agreements and Treaties.** The USG and the GOU have in force an extradition treaty signed in 1973 and ratified in 1974. In addition, the USG and GOU have a current bilateral counternarcotics agreement which covers most aspects of bilateral narcotics cooperation. Uruguay also has extradition treaties with Great Britain, Italy, Paraguay, Switzerland, Brazil, Chile, Argentina, Peru, Australia, and Spain (currently being renegotiated). The U.S.-Uruguay MLAT entered into force in April 1994. Uruguay also has legal assistance treaties with Great Britain (ratified 1993), Brazil (signed 1992, but still to be ratified), and Spain. In September 1994 the Senate ratified the 1988 UN Convention and in March 1995, Uruguay deposited its instruments of ratification. Uruguay is also a party to the 1961 UN Convention and its 1972 Protocol, as well as to the 1971 UN Convention. The GOU has made significant progress to fulfill the goals and objectives of the UN Convention.

**Domestic Programs (Demand Reduction).** In the past, demand reduction programs have been done on an ad hoc basis, with private groups and individuals working independently. The new drug czar is intent on centralizing and coordinating these efforts, making the most effective use of scarce resources. The "Proyecto Red" program, conducted in two Montevideo neighborhoods, has been replaced. The new program, implemented in December 1995, will focus on teachers in primary and secondary schools in an effort to reach children during their formative years. The program will also include sports clubs, exploiting an environment where thousands of youth spend their time, combining the idea of a drug-free life with a healthy life. The initial phase will include all of Montevideo. After evaluation and some modification, it will then expand to all of Uruguay in mid-1996.

#### **IV. USG Policy Initiatives and Programs**

**Bilateral Cooperation.** The GOU has been cooperative with the USG on all law enforcement issues. The Joint Information Coordination Center (JICC), which went on-line in 1994, has brought together most of the enforcement



agencies, which are working closely with the U.S. in exchanging narcotics information. It expects to link the remaining law enforcement agencies this year. The GOU looks to the U.S. for material assistance and technical training, and has met the goals and objectives of the USG-GOU bilateral narcotics agreement.

**Road Ahead.** The USG will continue to emphasize the problem of money laundering. The GOU is aware of the potential problem that its banking and financial sector faces, and has taken seriously the various regional conferences on money laundering. The next pressing concern for Uruguay is the problem of drug transit. Northern Uruguay is particularly vulnerable because it is sparsely populated, is close to remote regions of Brazil and Argentina, and has no radar coverage. As traffickers are pushed out of Argentina and Brazil, they will increasingly look to Uruguay. As part of the FY-96 program, U.S. Customs will provide drug interdiction training to law enforcement agencies. GOU officials have noted the increase in drug transit already and are concerned about the future. The GOU recognizes that drug use is becoming a serious problem among youth and is taking important steps to address it.

## **VENEZUELA**

### **I. Summary**

Venezuela is a major transit country for cocaine, marijuana and heroin destined for the U.S. and Europe, and for chemicals diverted to Colombian drug laboratories. It has become a source country for illicit drugs, with opium poppy cultivation on the border with Colombia. Venezuela is also a major center for drug money laundering. It faces a growing drug consumption threat.

In 1995, the Government of Venezuela (GOV) drafted and implemented the country's first national drug strategy, which designates the National Drug Commission (CONACUID) as the central coordinating body for drug issues. Continued coordination problems among police agencies and the absence of a defined counternarcotics role for the Venezuelan armed forces hinder the government's counternarcotics efforts. The GOV has yet to develop a policy to intercept and effectively interdict drug-trafficking aircraft in its airspace. The government closely cooperated with the USG in eradicating 1,660 hectares of opium poppy, coca and cannabis in the Sierra de Perija region, including authorizing the aerial use of glyphosate against all illicit drug cultivations. Drug seizures made by Venezuelan police agencies in 1995 increased significantly over previous years, with a particularly large increase in heroin seizures. Venezuela ratified the 1988 UN Convention in 1991.

### **II. Status of Country**

Venezuela is one of South America's leading democracies. Its oil wealth makes it a major economic power in the region. Because Venezuela's fiscal crisis and severe economic reforms have forced the Venezuelan government to reduce funding for law enforcement, Venezuela faces an increased narcotics trafficking threat. Traffickers exploit Venezuela's inadequate border controls to transship large quantities of cocaine and, increasingly, heroin, through the country. An estimated 100 to 200 metric tons (mt) of cocaine transit Venezuela annually, primarily concealed in cargo containers on ocean vessels and aircraft. Intense rivalry between Venezuelan law enforcement agencies and limited operational support by the country's armed forces hamper progress in counternarcotics. Narcotics possession, cultivation, refining, and trafficking are illegal in Venezuela and are punishable by imprisonment.

Venezuela's geographic location, its large financial sector and the presence of organized crime groups make it a prime location for money laundering. Exchange houses, real estate transactions, the banking system, casinos and other institutions serve as conduits for ill-gotten proceeds. The country's financial crisis has diverted GOV attention from effective enforcement of the money laundering provisions of the 1993 narcotics law.

Venezuela has become a minor source country for narcotics. With U.S. technical assistance, the Venezuelan National Guard identified and eradicated 1660 hectares (ha) of opium poppy, coca and cannabis in the Sierra de Perija border region with Colombia. The GOV approved aerial eradication using glyphosate for these eradication operations. Cultivation of coca, opium poppy and cannabis is illegal in Venezuela.

Venezuela is a bridge for precursor and essential chemicals used to process cocaine. Chemicals from Europe and the U.S. generally enter through Venezuela's major seaports and are diverted overland or via the vast Orinoco river system to Colombian drug laboratories. The Venezuelan Government lacks an effective control mechanism over key chemicals, and needs to comply with the provisions of the 1988 UN Convention as well as a bilateral chemical control agreement with the U.S.

Venezuela's upsurge in urban crime reflects a growing drug consumption problem. The USG and Venezuela are cooperating to conduct a nationwide drug epidemiological survey to estimate the severity of that problem and design new drug prevention and treatment programs.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Venezuela is a party to the 1961 UN Convention on Narcotic drugs and its 1972 Protocol, the 1971 UN Convention, and the 1988 UN Convention. The GOV also participates actively in the OAS/CICAD Money Laundering and Chemical Control Task Forces. The government has signed annual narcotics control agreements with the U.S. since 1987, in addition to bilateral agreements with other countries to cooperate in law enforcement. In July 1995, the GOV issued its first national drug strategy, which designated the National Drug Commission (CONACUID) as the central point of contact on narcotics policy issues and the coordinating body for law enforcement agencies. As part of its mandate, CONACUID is working to implement the 1988 UN Convention provisions on money laundering and precursor chemical control. It is clarifying the ambiguities of Venezuelan law on the legality of controlled deliveries. Corrupt public officials, military or police personnel who assist or are influenced by narcotics traffickers may be punished with one to seven years imprisonment.

**Accomplishments.** Illicit cultivation: In 1995, the GOV, with USG assistance, identified and destroyed 1,660 hectares (ha) of opium poppy, 30 ha of coca and 20 ha of marijuana in the Sierra de Perija border region with Colombia. The poppy is refined into heroin in Colombia. The Venezuelan National Guard also conducted ground operations there to collect forensic evidence used to prosecute suspected cultivators. These opium poppy fields could have produced 1.6 mt of heroin with a value of about USD 400 million if sold on U.S. streets. The government has authorized the aerial use of the herbicide glyphosate against all illicit drug crops.

Production, distribution, sale, transport and financing: Venezuelan law enforcement agencies seized 6.0 mt of cocaine and 90 kg of heroin in 1995, both increases from 1994.

**Money Laundering.** The 1993 Organic Drug Law criminalized money laundering associated with drug trafficking. The law establishes sanctions of imprisonment of 15 to 25 years for these offenses, in addition to fines and forfeiture of assets. However, the drug law fails to criminalize money laundering, per se, from any illicit activity and lacks conspiracy provisions, which limits the range of application of the statute.

The Venezuelan criminal justice system has not made effective use of the money laundering provisions of the 1993 Organic Drug Law. From October 1993 to December 1994, the Venezuelan judicial system attempted to prosecute 35 members of a major money laundering organization ("Sinforoso Caballero"). But a Tachira state judge dismissed the arrest warrants and the courts took no action on a GOV appeal during 1995. The GOV and Venezuelan courts made no other significant arrests or prosecutions for money laundering in 1995.

**Asset Seizure.** The 1993 Organic Drug Law established procedures for the seizure of assets from narcotics traffickers. However, coordination problems between the judiciary and the executive branch over the disposal of assets have impeded effective use of such provisions.

**Extradition and Mutual Legal Assistance.** Venezuelan law prohibits extradition of nationals. The GOV reserved its ratification of the extradition articles of the 1988 UN Convention. The 1993 Organic Drug Law makes no changes to the extradition law, but does provide for the loss of citizenship by naturalization and expulsion of foreign nationals convicted of narcotics offenses. An extradition treaty has been in effect with the U.S. since 1923.

In practice, the GOV has generally cooperated with legal assistance requests from other governments. In March 1995, Venezuela signed a Mutual Legal Assistance Agreement with the U.S. to facilitate investigation and prosecution of banking fraud and other crimes associated with the 1994 financial collapse of leading Venezuelan banks.

**Law Enforcement Cooperation.** Lack of clear jurisdictional guidelines, coordination problems, and the absence of a defined role for the armed forces have fostered intense rivalry among law enforcement and military authorities. Venezuelan leaders have not attempted to resolve these problems to improve anti-drug efforts. In addition, official uncertainty as to the legality of controlled deliveries as a law enforcement tool has exacerbated coordination problems.

**Precursor Chemical Control.** The 1993 Organic Drug Law assigns primary responsibility to the Technical Judicial Police (PTJ) for control of acetone, sulfuric acid, hydrochloric acid, and all other chemicals listed in the UN Convention. The U.S. and Venezuela signed a chemical control agreement in March 1992, but the GOV has not implemented an effective control mechanism over such chemicals. The GOV lacks law enforcement presence in the vast Orinoco River system, which is a major trafficking route for chemicals destined to cocaine laboratories in the eastern plains of Colombia. In February 1994, the USG donated six river patrol boats to the Venezuelan Marine Corps detachment at Puerto Ayacucho to assist them in conducting interdiction operations there, but this has not resulted in any chemical seizures. The apparent ineffectiveness of this program has led to a review to determine the joint commitment needed to bring it to fruition.

**Demand Reduction.** In August 1995, the U.S. and Venezuela signed a letter of agreement to provide funding for drug prevention projects conducted by CONACUID. These projects include the country's first-ever national drug epidemiological survey, drug prevention programs in the schools and communities, and a training center.

**Law Enforcement Efforts.** Venezuelan law enforcement agencies (chiefly the National Guard and the PTJ) cooperated with U.S. law enforcement agencies in some operations against narcotics traffickers. Drug seizures in Venezuela increased to 6.0 mt of cocaine, 860 kg of basuco, 90 kg of heroin and 13.7 mt of marijuana in 1995. This compares to 5.1 mt of cocaine, 1.6 mt of basuco, 16 kg of heroin and 11.3 mt of marijuana in 1994. Venezuelan police arrested about 3,300 persons for narcotics trafficking in 1995.

**Corruption.** As a matter of policy and practice, the GOV does not condone illicit production or distribution of drugs, or the laundering of drug money. We know of no senior GOV officials engaged in or encouraging such activity. Corruption, nevertheless, continues to impede counternarcotics efforts in Venezuela. While the 1993 Organic Drug Law increased the severity of criminal sanctions against public officials, including judges, the lack of successful prosecutions combined with low public sector salaries has facilitated the influence of drug money. A part of the constitutionally autonomous judicial branch, the National Judicial Council has responsibility for investigating and punishing corrupt judges. However, to date the Council has done little to reduce corruption in Venezuela's judicial system.

**Agreements and Treaties.** Venezuela is a party to the 1988 UN Convention, the 1961 UN Convention and its 1972 Protocol and the 1971 UN Convention. The GOV has signed annual narcotics control agreements with the U.S. since 1987. In addition, Venezuela and the U.S. have signed bilateral agreements for chemical control (1992), public awareness (1992), money laundering (1990), shipboarding (1991), and aerial hot pursuit (1994). The GOV has made significant strides in accomplishing the goals and objectives of bilateral narcotics agreements, particularly with respect to crop control efforts. Venezuela is expected to sign a Customs Mutual Assistance Agreement in 1996. Venezuela is generally meeting the goals and objectives of the 1988 UN Convention. Venezuela also has narcotics law enforcement agreements with a number of South American and European countries.

**Cultivation/Production.** The U.S. and Venezuela continue to work closely to identify and eradicate opium poppy, coca and marijuana cultivations in the Sierra de Perija region located on Venezuela's western border with Colombia. Authorities jointly eradicated 1,660 hectares of illicit drug cultivations during 1995 using the herbicide glyphosate. The Venezuelan National Guard arrested two Colombian cultivators in October 1995 and turned them over to Venezuelan courts for prosecution. There is no evidence of drug processing or refining laboratories in Venezuela.

Extensive drug cultivations on the Colombian side of the Sierra de Perija and the lack of coordinated, cross-border operations by Colombian and Venezuelan law enforcement bodies provide opportunities for Colombian traffickers to use Venezuelan soil for illicit cultivation. In 1995, the GOV hosted one Colombian observer on Thrush eradication flights along the border, but Colombia declined GOV offers to cooperate on cross-border eradication flights.

**Drug Flow/Transit.** Cocaine and, increasingly, heroin enter Venezuela from Colombia overland at a number of border crossing points. Traffickers conceal large shipments of drugs in containers of legitimate cargo. Couriers smuggle smaller amounts. Drugs are then transshipped to the U.S. and Europe by air cargo and sea freighters. Colombian traffickers have established false companies and employ innovative methods of concealment, such as insertion into legitimate products.

In 1995, Venezuelan and U.S. law enforcement agencies reported a large increase in heroin smuggling through Venezuela, primarily concealed in suitcases and body carriers on international airline flights. Venezuelan airspace is frequently violated by drug traffickers who overfly the country to make airdrops of drugs at sea in the Eastern Caribbean. The GOV presently lacks an air interdiction strategy, although it has permitted USG aircraft to enter Venezuelan airspace while tracking suspect aircraft under the terms of the bilateral aerial hot pursuit agreement. Information from two Caribbean Basin Radar Network (CBRN) sites in Venezuela has also assisted in identifying and tracking suspect aircraft.

**Demand Reduction.** The National Drug Commission (CONACUID) is responsible for the development of drug prevention, treatment and rehabilitation programs. The USG is working with CONACUID in conducting a national drug epidemiological survey. Private Venezuelan organizations fund a media campaign against drug use, modeled on the U.S. "Partnership for a Drug-Free America".

#### **IV. U.S. Policy Initiatives and Programs**

The International Narcotics Control program is designed to strengthen the GOV's institutional ability to conduct interdiction operations and money laundering investigations, to enhance the Venezuelan judicial system's capacity to prosecute drug trafficking cases, and to enlist the top levels of the Venezuelan Government to support tougher law enforcement activities.

The program seeks to destroy narcotics trafficking organizations, develop interdiction programs with the Venezuelan Navy in coastal waters and on the country's river systems, and assist in the development of a GOV air interdiction strategy with a law enforcement end game. It will place increased emphasis on training of law enforcement personnel and will seek to encourage better operational cooperation and intelligence-sharing among Venezuelan police and military services. A port control strategy with GOV law enforcement agencies would round out law enforcement efforts. Multilateral efforts with Dublin Group countries are a key mechanism to engage the GOV on narcotics issues. The USG is also assisting the GOV's efforts to reform its judicial system through projects executed by the Ministry of Justice.

**Bilateral Cooperation.** USG counternarcotics assistance has built up the investigative and operational capabilities of the two major national police forces responsible for narcotics law enforcement: The Venezuelan National Guard (GN) and the Technical Judicial Police (PTJ). The USG

has provided training, equipment and vehicles to these agencies. Corruption allegations and a lack of political support for counternarcotics initiatives limited bilateral cooperation with the GN, as well other Venezuelan counternarcotics law enforcement organizations.

**The Road Ahead.** The USG will continue to work closely with the GOV to combat international narcotics trafficking, assisting the GOV to improve its law enforcement bodies and reduce official corruption. Comprehensive air interdiction, port and border crossing control strategies form the basis of policy efforts. We will also continue to encourage the GOV to improve its ability to prosecute drug trafficking cases, build interagency counterdrug coordination and intelligence-sharing, investigate money laundering activities and keep the Sierra de Perija free of illicit drug cultivation.





**CANADA, MEXICO  
AND  
CENTRAL AMERICA**



## **BELIZE**

### **I. Summary**

Belize's uncontrolled coast and large interior give it the potential to be a significant transshipment point for cocaine moving from South America to the United States. It is a limited producer of marijuana. The Belizean police and the Belize Defense Force (BDF) cooperate with USG officials on counternarcotics efforts, and the Government of Belize (GOB) recognizes the problem of drugs transiting through its territory and the contribution drug trafficking makes to domestic crime. However, the GOB does not give high priority to antidrug efforts. Belize has not acceded to the 1988 UN Convention.

### **II. Status of Country**

Contiguous borders with Guatemala and Mexico, dense unpopulated jungle, a long unpatrolled coastline, numerous inland waterways, and a rudimentary drug control infrastructure make Belize a potentially significant cocaine transshipment point. Existing intelligence on trafficking, although sparse, suggests that Belize -- especially its air space and maritime territory -- may be a significant transit area for cocaine. The withdrawal of British Forces from Belize in October, 1994 removed a major deterrent to drug trafficking through this largely uncontrolled territory.

### **III. Country Actions Against Drugs in 1994**

**Policy Initiatives.** The GOB's agreement with the USG concerning maritime counterdrug operations is considered to be a model for this type of agreement. In September, the U.S. Coast Guard conducted its first ship visit under this agreement and returned in December for a training mission.

**Accomplishments.** The activities of Belize's primary counternarcotics unit, the Serious Crimes Squad (SCS), were limited by re-assignment of its members from counternarcotics to crime suppression within Belize City. This shift resulted in limited counternarcotics coverage in rural districts. In March 1994, the police, assisted by DEA, arrested two of the country's biggest cocaine traffickers and seized approximately 115 kgs of cocaine. In December, the traffickers were released because of "weak evidence".

Belize has almost no industries requiring cocaine-essential chemicals, and there is no evidence of chemical diversion.

An investigation by DEA and Belizean police resulted in two seizures totaling 636 kgs of cocaine in January 1995. The lift those busts gave counternarcotics efforts was offset in part by the GOB's decision to prohibit, for environmental reasons, aerial eradication of cannabis.

organizations. In addition to twelve police officers, the VIU works with and draws on other law enforcement elements throughout Belize. In 1995 the Belize police force seized 636 kgs of cocaine and arrested two Colombians and a Belizean believed to be connected to the Cali drug mafia.

**Law Enforcement Efforts.** The GOB considers trafficking in crack cocaine its most serious drug problem, primarily because of the crime that accompanies it. Targeting major cocaine traffickers has not been a GOB priority in the past; however, in 1995 the Ministry of National Security, the police, and the BDF emphasized law enforcement capability and demonstrated increased attention to anti-narcotics activities. Belize was an active participant in two DEA-sponsored surge operations coordinated with other law enforcement units in the region.

**Corruption.** Information routinely surfaces suggesting possible drug-related corruption in the police, customs and immigration services. An alleged member of the Cali drug organization who was arrested in connection with the seizure of 636 kgs of cocaine, escaped from prison with little effort in April. One prison guard was fired for suspected complicity in the escape, and several others were disciplined, but no criminal charges were filed. A suspected cocaine trafficker, who was captured with drugs in his boat, was defended by a relative of a cabinet official. The accused trafficker was acquitted, and charges were dismissed against his accomplices, who were also defended by the same attorney.

**Agreements and Treaties.** Belize is party to the 1961 Single Convention and the protocol thereto, but has not yet acceded to the 1988 UN convention. Extradition with the U.S. is governed by the 1972 US/UK treaty which remained in effect after Belizean independence from the U.K. Belize supports the expulsion to the U.S. of non-Belizean fugitives. In one instance in 1995, a Belizean national was extradited to the U.S.

**Cultivation and Production.** A USG survey in November revealed that in Belize marijuana continues to be cultivated in small tracts. Prohibited from using aerially applied sprays, the BDF and the Belize police eradicate fields manually. There is no evidence of production of drugs other than marijuana in Belize, nor is there evidence of traffic in precursor chemicals.

**Money Laundering.** With over 1,000 companies registered under the International Business Companies (IBC) Act, money laundering has the potential to be a threat of major proportions. The country has not criminalized money laundering, nor does it regulate the movement of currency. Bearer-negotiable instruments are not restricted. At the end of 1995, the GOB was considering new legislation to govern off-shore investments and banking.

**Domestic Programs.** Demand reduction is coordinated by the National Drug Abuse Control Council (NDACC) which provides drug abuse education, information, counseling, rehabilitation and outreach. NDACC plans to further develop its six regional offices. Pride Belize Foundation, a

private voluntary organization, focuses on student assistance programs, a private sector employee assistance program, and an information system on the extent of drug use. The 1995 school drug usage survey suggests that regular use of marijuana (1%) and cocaine/crack (0.3%) have not increased.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The U.S. strategy in Belize has been to support GOB development of a sustainable infrastructure which will allow it to combat drugs effectively. Support includes equipment and training for the VIU, JICC (Joint Information Coordination Center), police, and BDF. The GOB has also received counternarcotics support from the U.S. military and Coast Guard. The GOB understands that continued assistance depends on the success of counternarcotics programs in seizing drugs and arresting and convicting traffickers.

**Road Ahead.** Marijuana cultivation, though not expanding, must be kept under control. The GOB will continue to resist drug trafficking, primarily through the efforts of the police and the BDF. The USG must continue to support counternarcotics efforts in Belize or cede ground to the drug traffickers.

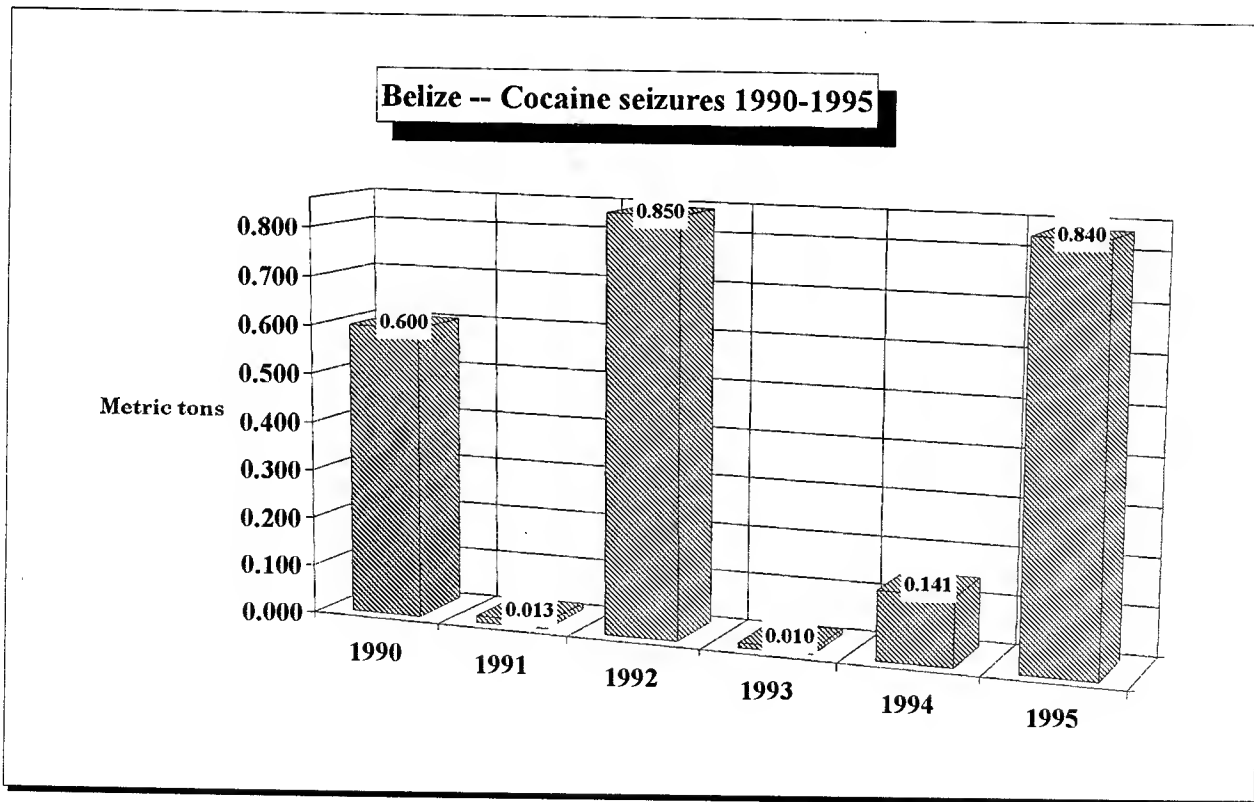
BELIZE 1996 INCSR

Statistical Tables

TABLES for CY

		1995	1994	1993	1992	1991	1990
<b>Cocaine HCL</b>							
Seized	[mt]	0.840	0.141	0.010	0.850	0.013	0.600
<b>Cannabis</b>							
Harvestable Cultivation	[ha]	unk	unk	unk	unk.	54	67
Eradication	[plants]	135,216	10,751	89	51	266	333
Cultivation	[ha]	unk	unk	49	unk	320	400
Seized in country	[mt]	2.8	4.8	93.0	52.0	0.8	0.0
<b>Users (thousands)</b>							
Marijuana		unk	unk	unk	unk	unk	unk
Total Arrests*			1,227	1,287	1,529	658	-

2/24/96



## CANADA

### I. Summary

Canada is a conduit for illicit drugs bound for the United States, and some illicit drugs destined for the Canadian market come from or through the United States. The Government of Canada (GOC) discourages narcotics abuse and trafficking within its borders, cooperates closely with the United States Government (USG) and participates in international anti-drug fora to control the illicit drug trade.

Canada has been a target for drug-related money laundering because of its open financial system, high volume of cross-border trade with the United States, and lack of legal reporting requirements for large cash transactions. Canada criminalized money laundering in 1989, and anti-money laundering laws include asset seizure and forfeiture laws.

GOC authorities continue to believe that precursor and essential chemicals are diverted to illicit drug manufacturers, and that a portion enters the United States at land border crossings. The precursor chemicals involved are used mainly in the manufacture of methamphetamine.

### II. Status of Country

Canada's solid institutions, responsive government, fair judiciary, and competent law enforcement agencies have fostered public respect for the law. As a result, narcotics abuse has remained a manageable problem. The GOC emphasizes demand reduction, but is also active in domestic and international supply control efforts.

Cannabis remains the principal illicit substance of abuse in Canada. Authorities believe that up to 50% of cannabis consumed in Canada is produced locally, much of it grown hydroponically. Cocaine (including crack) is the second most popular drug. Authorities estimate a population of over 250,000 cocaine users and approximately 35,000-40,000 heroin users in Canada.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The House of Commons passed a bill in the Fall of 1995 that would bring Canada's drug control legislation further into compliance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which Canada ratified in 1990. The bill provides a comprehensive framework for controlling the import, production, export, distribution and use of illicit substances, and provides procedures for the seizure and forfeiture of proceeds from narcotics-related offenses.

**Agreements and Treaties.** The GOC and the USG have long-standing agreements on law enforcement cooperation, including a Mutual Legal Assistance Treaty and a Customs Mutual Assistance Agreement. On March 23, 1995, the United States and Canada signed an Asset Sharing Agreement to strengthen joint investigations. Prior to the agreement, the United States shared the proceeds of seized assets, but Canada had no reciprocal policy.

The GOC participates in several international anti-drug fora including the Dublin Group, the Financial Action Task Force (FATF), the Inter-American Drug Abuse Control Commission of the Organization of American States (CICAD), and the United Nations International Drug Control Program (UNDCP). According to UNDCP, Canada pledged approximately \$511,000 in FY95 contributions to UNDCP. The GOC also contributed about \$63,000 to CICAD during the same period.

**Law Enforcement Efforts.** GOC statistics for the first ten months of 1995 report cocaine seizures of 1,022 kg, down from 7,915 kg in 1994; 2,900 dosage units of LSD, down from 32,829 in 1994; marijuana seizures of 1,648 kg, up from 901 kg in 1994; hashish seizures of 9,945 kg, down from 36,614 kg in 1994; and heroin seizures of 101 kg, up from 85 kg in 1994. While heroin and cocaine trafficking arrests declined during this period, cannabis trafficking arrests rose from 1,750 to 2,383.

**Corruption.** Public corruption is not considered a problem in Canada. The GOC does not tolerate drug trafficking or the laundering of drug money among its officials, and prosecutes all suspected cases of malfeasance.

**Cultivation/Production.** GOC authorities believe marijuana is grown for personal use in Canada, but not exported. Authorities seized 288,083 marijuana plants in 1994.

**Drug Flow/Transit.** Drugs are smuggled into Canada for domestic use and for transshipment to the United States. Some illicit drugs destined for the Canadian market come from or through the United States. Heroin and marijuana arrive by both sea and land; cocaine and hashish arrive by sea. Traffickers use couriers, hide drugs in commercial shipments, and access international mail to move drugs.

**Demand Reduction.** The GOC emphasizes demand reduction in its drug control strategy. The Canadian government and non-governmental organizations offer drug abuse education programs which target groups deemed to be most at risk of using illicit drugs.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The United States and Canada enjoy excellent law enforcement cooperation in counter-narcotics efforts. Canadian and US customs services work closely to control drug smuggling, and share enforcement-generated assets and personnel.

**The Road Ahead.** The United States looks forward to building on excellent law enforcement cooperation with Canada, and will encourage the GOC's continued support and participation in international anti-drug fora such as the Dublin Group.



## **COSTA RICA**

### **I. Summary**

Costa Rica is a transshipment point for cocaine being moved from South America to the U.S. Costa Ricans have become increasingly concerned by rising domestic drug consumption and associated violence. Money laundering in banking and tourism remains a serious problem. President Figueres has assigned a high national priority to fighting drug-trafficking and money laundering. The Government of Costa Rica (GOCR) established a national anti-money laundering commission with representatives from the public and private sectors. During 1995, authorities disbanded major drug organizations and seized significant amounts of cocaine and heroin. Costa Rica is a party to the 1988 UN Convention.

### **II. Status of Country**

Costa Rica's location on the land bridge from drug-producing areas in South America makes it a link in the drug smuggling chain. Traffickers continue to smuggle cocaine and heroin through Costa Rica on small aircraft, surface vehicles, human couriers, and vessels through the port of Limon. Costa Ricans are concerned about rising levels of domestic consumption of crack cocaine and its effect on crime and other social ills. The GOCR has attempted to meet this challenge by adopting strict anti-drug measures. Enforcement activities, however, are limited by resource constraints, and trafficking activity is outstripping efforts to contain it.

Through most of the year, Costa Rica's Counternarcotics Intelligence Center (CICAD), which operates the country's JICC (Joint Information Coordination Center), was beset by personnel problems, particularly in its leadership. As a result, the USG did not share drug-related information with CICAD in 1995. In December, the GOCR appointed a new director and deputy director, and USG and GOCR officials were working toward restoration of CICAD's effectiveness.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** President Figueres emphasized his determination to fight drug traffickers by combining the ministries of Government and Public Security. Costa Rica established an anti-money laundering commission comprised of representatives from government ministries and the banking sector. CFATF experts conducted a "mutual evaluation" of Costa Rica's money-laundering controls in October. At GOCR request, the U.S. military deployed three drug-detector dogs and dog-handlers to Costa Rica to assist police in searching containerized maritime and air cargo. The GOCR also permitted the basing of a U.S. Coast Guard aircraft as part of Operation Green Clover. Late in 1995, Costa Rican and Nicaraguan police intensified border inspections under a regional counter-drug initiative. The Health Ministry operates a stringent program to control precursor chemicals and prescription drugs, an area of increasing official attention.

**Accomplishments.** GOCR/USG joint activities in the anti-drug area remain harmonious and productive. DEA agents and GOCR police cooperated closely in the April arrest of major drug trafficker Ricardo Alem in Miami, Florida. A Costa Rican court subsequently sentenced Alem to 12 years in prison on 1988 money laundering charges. In August, the Organization of Judicial Investigation (OIJ) conducted raids that resulted in arrests, seizures, and the dismantling of a major drug organization. The Vargas Hidalgo brothers were arrested on charges of cocaine trafficking and are in prison waiting trial. Authorities made a number of arrests that dismantled or disrupted cocaine and marijuana trafficking groups in the latter part of the year. In December authorities arrested four traffickers and seized 121 kg of cocaine concealed in a truck traveling along the inter-American highway.

**Law Enforcement Efforts.** OIJ operates a small, professional counter-drug unit that specializes in international cases while the drug control police conduct domestic operations. Both units employed court-ordered wiretaps in major drug cases under the authority of the 1994 wiretap law. The Figueres administration continued to implement a program to professionalize the police force. The Ministry of Public Security improved police academy courses for new recruits. After a year of personnel problems, a new director was appointed to the JICC at year's end and USG and GOCR officials were attempting to restore its effectiveness. The heightened awareness of transit police to the potential threat of drug-smuggling vehicles has resulted in some arrests and seizures.

**Corruption.** Senior Costa Rican officials have repeatedly pledged to prosecute all cases of official corruption. Although no accusations have been directed at senior officials, some mid-level personnel, including local police commanders, have been dismissed, transferred, and in some cases prosecuted. Police arrested a rural guard officer for protecting drug operations. In December, the OIJ arrested a patrol officer and an accomplice who had attempted to sell 322 kg of marijuana.

**Agreements and Treaties.** The GOCR responded to U.S. extradition requests by applying domestic law rather than an international agreement, since the USG/GOCR extradition treaty was declared "inapplicable" by the Costa Rican Supreme Court in 1993. This mechanism complicates extradition cases and may have made it possible for a number of fugitives to escape justice, particularly because of the absence of practical provisional arrest authority. In November the legislative assembly ratified the Permanent Central American Commission's counter-drug agreement. Costa Rica became a party to the 1988 UN Convention in 1991. In September, Costa Rica and Nicaragua signed a border cooperation agreement to fight drug trafficking, illegal immigration, and transport of stolen vehicles.

**Cultivation and Production.** Cannabis grown on small, widely dispersed plots in mountainous regions in northern and southern Costa Rica is still relatively minor in volume. Police reportedly destroyed over 200,000 marijuana plants during 1995.

**Drug Flow and Transit.** Traffickers continue to use Costa Rica as a transshipment area for cocaine from Colombia. USG and GOCR counter-drug authorities believe that there may be an increase in the amount of heroin being smuggled in small amounts through Costa Rica to the U.S. or Europe.

**Domestic Programs.** The GOCR is concerned by increased domestic drug usage. The National Drug Council (CONADRO) has established demand reduction committees in communities throughout the country. In November, U.S. and Costa Rican instructors trained police officials from four Latin American countries in demand reduction techniques under the auspices of the US-based DARE program.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG goals are to enhance police detection and interdiction capacity; to destroy marijuana fields; to develop drug awareness programs, and to strengthen regional and international anti-drug cooperation. Specific objectives include providing training for drug control police, professionalizing police forces, restoring JICC effectiveness, enhancing precursor chemical controls, and improving the operational and maintenance capabilities of the Public Security Ministry's air and maritime sections.

**Bilateral Cooperation.** During 1995, the USG supplied spare parts to the air and maritime services, and computer and office equipment to the National Drug Council's drug awareness program. The USG has also contributed computer equipment to the Health Ministry's precursor chemical control program.

**Road Ahead.** The U.S. seeks to improve GOCR abilities to curtail the use of Costa Rica as a transshipment area, discourage drug consumption, fight corruption, and counter money laundering. The GOCR should: continue efforts to develop professional police forces; strengthen laws against drug trafficking and money laundering; and, reinstate the bilateral extradition treaty as soon as possible.

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**Statistical Tables**


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<b>TABLES for CY</b>		<b>1995*</b>	<b>1994**</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>	<b>1990</b>
<b>SEIZURES</b>							
Cocaine	[mt]	0.233	1.383	0.611	1.8	0.46	1.14
Marijuana	[mt]	0.937	0.142	0.100	0.08	0.08	0.13
Heroin	[mt]	0.011	0.017	0.01	0.007		
<b>ARRESTS</b>							
Total		468	504	613	525	628	810
<b>Domestic Consumption</b>							
Cocaine	[mt]	<i>see</i>	<i>see</i>	<i>see</i>	0.2	0.2	0.2
Marijuana	[mt]	<i>note</i>	<i>note</i>	<i>note</i>	30.0	30.0	30.0
<b>Users (thousands)</b>							
Cocaine		<i>see</i>	<i>see</i>	<i>see</i>	2	2	2
Marijuana		<i>note</i>	<i>note</i>	<i>note</i>	30	30	30

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\* 1995 data covers January - November only.

\*\* 1994 data revised to reflect full year.

Data on drug abuse were derived from a survey conducted in 1988 by the Institute on Alcoholism and Chemical Dependency (IAFA). A 1992 study by IAFA indicates that as many as 80,000 Costa Ricans may have used cocaine or marijuana.

2/24/96

## EL SALVADOR

### I. Summary

El Salvador is a transshipment point for cocaine moving to the U.S. along the Pacific coast of Central America, a position that gives it the potential to experience a significant increase in trafficking. Cocaine use is growing. President Armando Calderon Sol has spoken out forcefully against narcotics trafficking and money laundering, but has yet to implement a clear anti-narcotics strategy. The Anti-narcotics Division (DAN) underwent a major restructuring in 1995 as a result of its incorporation into the National Civilian Police (PNC). Although it has not yet fully regained the operational skills it had prior to restructuring, the DAN has made major strides towards becoming an effective organization. Small amounts of cannabis are grown in El Salvador for domestic consumption. Money laundering does not appear to be a major threat. El Salvador is a party to the 1988 UN Convention.

### II. Status of Country

Seizures and anecdotal evidence suggest that significant amounts of cocaine enter El Salvador for transshipment to the U.S. aboard vehicles via the Pan American highway, small planes flying up the Pacific coast, and maritime vessels using the country's ports. El Salvador's rapidly expanding economy and banking system, stable currency, large amounts of remittances from the U.S., and weak judicial system make the country potentially vulnerable to money laundering; however, none has been detected.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** Although Salvadorans are increasingly aware of the danger of being used as a drug transit point, the Government of El Salvador (GOES) has yet to establish an effective anti-narcotics policy. Recent legislation -- ratification of the 1988 UN Convention, a modern anti-narcotics law -- has still not made a significant impact primarily because of a weak judicial system.

**Law Enforcement Efforts.** The small amount of cocaine seized in 1995 (72 kilos) was largely because of problems in law enforcement and not an indication of a reduction in the degree of trafficking. For the DAN, 1995 was a year of rebuilding. In January, most of the experienced investigators chose to accept indemnities and resign from the unit rather than undergo police academy training. Although the DAN lacks essential experience, the unit's new personnel, including the director, have a sense of commitment that resulted in some notable successes late in the year.

**Corruption.** The Calderon Sol administration has taken a strong public stand against corruption, and anti-corruption efforts appear to have taken hold within the PNC. Investigations of possible narcotics-related corruption in the judiciary are underway.

**Agreements and Treaties.** The U.S. has a bilateral extradition treaty with El Salvador; however, no narcotics-related extraditions have been requested. El Salvador is constitutionally prohibited from extraditing its nationals. A weak judicial system has prevented effective enforcement of the 1988 UN Convention and its implementing legislation. Similarly, the weaknesses in the judicial system have seriously hampered efforts to pursue the domestic prosecution of Salvadoran fugitives as an alternative to extradition.

**Demand Reduction.** In the absence of GOES-sponsored demand reduction programs, the DAN initiated an important anti-drug education program in the schools, sponsored by DARE America. FUNDESALVA, a private foundation, is considered one of the best in the region at promoting anti-drug awareness.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** In support of the restructuring of the DAN in early 1995, the USG provided agent training, vehicle repair, communication upgrades, and crime scene and surveillance equipment. Furthermore, the DAN inaugurated its new Joint Information Coordinating Center (JICC) in September. USG-assisted projects include upgrades to the JICC, maintenance of the canine program, and further training of investigators. Other projects include assessments of money laundering in El Salvador and the narcotics-related threat to port security and judicial integrity.

**Road Ahead.** While El Salvador has long been a transshipment point for cocaine headed towards the United States, Salvadoran officials are only beginning to realize that middle-men are being paid in drugs. The danger posed to Salvadorean society by this increase in drugs is leading the GOES to push its anti-narcotics efforts higher up on its priority list. With the help of the USG, the re-organized DAN is likely to build upon its excellent start. The USG will continue to encourage the GOES to successfully implement its narcotics laws and treaties, to reassess its policy on extradition of nationals, to maintain pressure on its anti-corruption efforts, and to implement strategies to combat money-laundering and judicial corruption.

## **GUATEMALA**

### **I. Summary**

Guatemala is both a major transshipment center of cocaine en route to the U.S. and a producer of opium and marijuana. Recent information indicates that large quantities of chemicals, particularly ephedrine, are diverted through Guatemala to Mexico and the United States. The Government of Guatemala (GOG), within the constraints of its limited resources, has worked with the USG in countering these threats. Narcotics trafficking is another corrosive element in Guatemala's nascent democracy, already afflicted by high levels of violence and corruption. In the GOG, some attention has been diverted from narcotics to fiscal issues and the peace process to end Guatemala's 35 year civil war. With USG support, the Department of Anti-Narcotics Operations (DOAN), a specially trained and equipped unit within the Guatemalan Treasury Police, continued to carry out investigations, interdiction operations, and a successful opium poppy and marijuana eradication campaign. In 1995, about one metric ton of cocaine was seized in Guatemala. In addition, aerial and ground operations eradicated over 85 hectares of opium poppy, virtually all the known cultivation. Guatemala is a party to the 1988 UN Convention, but has not yet implemented many of its provisions.

### **II. Status of Country**

With hundreds of unmonitored airfields, an internal road network and river system leading to an uncontrolled border with Mexico, and with no air-search radar capability, Guatemala became the Colombian cartels' choice for cocaine transshipment in the early 1990s. As Guatemalan/US air interdiction programs became more effective in capturing and deterring cocaine smuggling via light aircraft, trafficking organizations shifted to land and sea smuggling modes, turning Guatemala into a major staging area for overland and sea-borne shipments.

Guatemalan drug and alcohol education and rehabilitation experts estimate that at least one out of four adults suffer from some sort of chemical dependency, principally alcohol abuse. Illicit drug use, while still small, has increased markedly since 1990 and contributes to the extremely high level of violence in the country, especially in the capital city.

Opium gum from poppy fields in northwest Guatemala is smuggled to Mexico for processing. Cannabis is grown throughout the country, primarily for domestic consumption. USG-supported DOAN units conduct manual eradication as well as drug-related investigations.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** There were few narcotics control policy or legislative initiatives during the last year of President de Leon Carpio's administration because of election-year political maneuvering. The Ministry of Government (MOG), preoccupied with a deteriorating public security environment, did not focus specifically on narco trafficking as a major internal problem. No progress was made in developing a national counternarcotics master plan.

The GOG began to take several important steps to institutionalize its counternarcotics agencies--primarily the DOAN and the special narcotics prosecutors. On the law enforcement side, the MOG increased compensation for all police, including the DOAN, with two levels of risk bonuses. Although this was a much needed step, the GOG has yet to specifically recognize the skill and risk of the DOAN's work. Recognizing the shifting transportation modes used to smuggle cocaine into and through Guatemala, the GOG supported efforts to restructure the DOAN and to increase manpower in investigations, road and seaport inspections, and planning and training. The highly successful (and self-financed) port security program was expanded to a second port. With more GOG interest, this private sector program could be expanded to all ports within a year. The GOG also authorized drug eradication units to be formed as a separate division of the DOAN.

**Accomplishments.** Counternarcotics programs are divided among several ministries and not well coordinated at upper policy levels. The inter-ministerial coordinating committee established by the 1992 narcotics law has not functioned. Nonetheless, the GOG has sustained very credible anti-narcotics enforcement programs, primarily through the DOAN but also in other areas of the government such as the Attorney General's office.

GOG action on extradition of suspected narcotraffickers has been mixed. Since 1989, five have been extradited to the United States and two requests have been formally denied. On a positive note, Guatemala expelled two Americans in 1995 wanted in the U.S. on narcotics-related charges.

**Law Enforcement Efforts.** The DOAN was unable to intercept several known flights of drug-smuggling aircraft flying to the remote Peten, primarily because of insufficient radar warning time. Drug control authorities seized over 500 kilos of cocaine on the ground. Most suspect planes by-passed Guatemala en route to Mexico. The DOAN's success against major trafficking organizations have caused their fragmentation, thus increasing the difficulty of investigations.

As a result of detailed analysis of organizational requirements the MOG has decided to restructure the DOAN to enhance its overall command and control, investigative capability, and planning and logistics support. In addition, manual eradication units are being stream-lined and dedicated full time to antinarcotics missions. With USG support, the GOG completed construction of an anti-drug school to provide counternarcotics courses for the DOAN, other GOG institutions, and law enforcement officers in the region.

The Public Ministry strengthened the office of the special prosecutor for narcotics, adding several assistant prosecutors and investigators. An antinarcotics hotline was established for people to report suspected drug activity. The DOAN routinely attacks drug trafficking transportation networks, coordinating closely with US law enforcement agencies and with regional partners in Central America. The DOAN has also successfully conducted its own investigations and arrests, without USG support or intelligence.



**Corruption.** Corruption is a major problem in Guatemalan society. There have been strong efforts by both the USG and the GOG to ensure that counternarcotics programs not be corrupted. We have no proof that any senior officials of the current administration engage in, encourage, or facilitate the production or distribution of illicit narcotics or drug money laundering. Corruption in the courts is a major problem that the judicial branch is beginning to tackle with the support of various USG-backed initiatives. The Supreme Court has yet to establish specialty narcotics courts to help control corruption as outlined by Guatemala's 1992 narcotics law.

**Agreements and Treaties.** Guatemala is party to the 1961 UN Single Convention and its 1972 protocol, the 1971 UN Convention on psychotropic substances, and the 1988 UN Convention. While law enforcement efforts by the GOG have been fully consistent with the goals and objectives of the 1988 UN Convention, many aspects of it have not been codified into law, including controls on extradition, money laundering, and chemicals. This lack of legislation hampers law enforcement efforts. The GOG signed comprehensive bilateral drug control agreements with the U.S. in 1995; however, the de Leon administration did not move forward on needed implementation legislation. There is an extradition treaty between the U.S. and Guatemala, but the extradition relationship is not particularly productive.

**Cultivation and Production.** Typical opium poppy fields measure less than one-fifth of a hectare and are located among legitimate crops in steep mountain ravines at elevations of up to 10,000 feet. Poppies are grown from May to February, allowing a diligent farmer to have three harvests per year. The GOG has mounted manual eradication operations and permitted USG-supported aerial eradications that have virtually eliminated crop levels to negligible amounts, despite the continuing insurgency and problems in communication and logistics. Traffickers convert raw opium gum to morphine base in Guatemala before shipment to Mexico, where it is refined into heroin.

**Drug Flow/Transit.** Aerial interdiction successes in part caused narcotraffickers to shift emphasis to maritime and vehicular smuggling methods through Guatemala, and to develop less risky methods and routes; however, in late 1995 there was an apparent return to air smuggling, especially into Peten, a relatively unpatrolled region.

**Domestic Programs.** Several small, private demand reduction organizations work in Guatemala, coordinated by the National Council Against Alcoholism and Drug Addiction, CONAPAD, which reports to the office of the vice-president. CONAPAD has extremely limited financial resources for drug awareness programs and has begun to seek private sector support. The GOG is against legalization of drugs, and continues to provide some support for drug education programs.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** Using intelligence gleaned from both aerial reconnaissance and informants, DOAN units eradicated an estimated 28 hectares of opium poppy in 1995. In addition to destroying fields which are inaccessible to aircraft, the DOAN provides a law enforcement presence in the growing areas and arrests growers whenever possible.

With the opium poppy crop now under control, an integrated program of aerial and ground eradication should prevent Guatemala from returning to the ranks of major opium production. Guatemala should accelerate needed justice sector reforms, especially when dealing with narcotics cases.

**Bilateral Cooperation.** Working within its limited resources, the GOG collaborated well with USG law enforcement agencies on intelligence collection, criminal investigation, interdiction operations, and eradication of illicit cultivation. Because 1995 was an election year, additional reforms and legislative efforts did not advance significantly.

**The Road Ahead.** The out-going government has left the new administration an environment of public concern about violence and criminality as well as many long-term narcotics-related issues. Major cocaine transshipment is expected to continue for the foreseeable future. With USG assistance, the GOG will continue to develop more effective investigative and law enforcement units to control transshipment. Change in the judicial system will come more slowly.

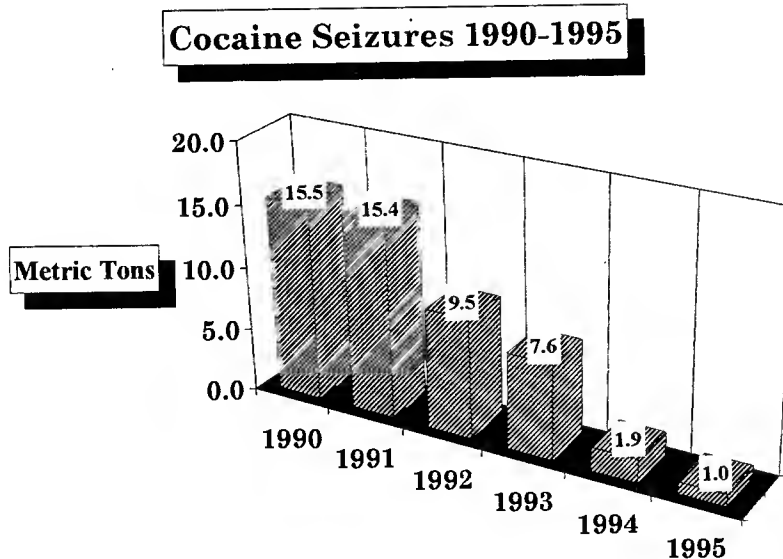
Precursor chemical diversion will continue to be a significant problem, one the next Guatemalan Congress is expected to address with effective legislation. In addition, specific legislation is needed to control money laundering.

Opium poppy and marijuana cultivation will be controlled through periodic aerial and manual eradication supported by an intensive public information campaign. The GOG will increase public education and demand reduction efforts, focusing on school children. Cocaine abuse will continue to grow as traffickers pay for local support with cocaine that must be sold on the local market. Domestic cocaine trafficking and use will exacerbate domestic violence and strain even more the already shaky civilian police force.

## Statistical Tables

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>OPIUM</b>							
Harvestable Cultivation	[ha]	39	50	438	730	1,145	845
Eradication	[ha]	86	150	426	470	576	1,085
Cultivation	[ha]	125	200	864	1,200	1,721	1,930
Theoretical Potential Yield	[mt]	0.40	0.50	4	7.0	11.5	8.5
<b>CANNABIS</b>							
Harvestable Cultivation	[ha]	50	100	unknown	80	55	92
Eradication	[ha]	250	100	200	40	66	35
Cultivation	[ha]	300	200	unknown	120	121	127
Theoretical Potential Yield	[mt]	12	25		20	55	92
<b>Seizures</b>							
Cocaine	[mt]	1.0	1.9	7.6	9.5	15.4	15.5
Marijuana	[mt]	0.50	1.76	2.1	0.7	1.3	6.8
Heroin	[mt]	0	0	0	0.001		
Opium	[kg]	0.0	2.0	2.0			

USG surveys estimate average yield at 10 kg of opium gum per hectare. Figures for all years have been adjusted accordingly.



2/24/96

## HONDURAS

### I. Summary

Cocaine from South America transits Honduras by land and maritime routes. Marijuana is cultivated there, primarily for local consumption. The Honduran police and armed forces cooperate readily with the USG, but endemic corruption has limited the success of interdiction efforts. In 1995 a counternarcotics section, with its own special prosecutor, was created within the Public Ministry. Legislation on money laundering and asset seizure was introduced in 1995. Honduras is a party to the 1988 UN Convention.

### II. Status of Country

Honduras is a transit country because of its geographic position on the Central American isthmus. Cocaine from South America, destined for the U.S., transits Honduras because of limited customs controls, corrupt and low-paid border officials, and a large volume of commercial vehicular traffic. The country's most suitable area for clandestine strips does not have a good road network, thus drugs are seldom transshipped by aircraft. Also, the Honduran Air Force, on three occasions in the past decade, shot down drug-smuggling planes. Narcotics production is not a significant problem in Honduras.

Transit by sea is relatively risk-free due to the meager resources of the Honduran navy which has limited fuel and only a few poorly-maintained patrol boats. Moreover, naval personnel have little counternarcotics training. The Bay Islands have a long tradition of smuggling and limited government presence. Honduras' active fishing fleet provides perfect cover for maritime trafficking. Drugs are concealed in containers of U.S.-destined frozen seafood which cannot be inspected without risking the contents' destruction.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Government of Honduras (GOH) does not have a counternarcotics master strategy. An executive order is expected to be signed in 1996 that will bring all counter-drug investigations under the Criminal Investigations Directorate (DIC), which also has a drug prosecutor. Although, Honduras is not considered an important regional financial center, money laundering could become a problem owing to the lack of either regulatory controls or strong legislation. Money laundering is not a criminal offense, but at the end of 1995 comprehensive money laundering legislation was being drafted and was expected to be passed in mid-1996 along with legislation on precursors and asset seizures.

**Accomplishments.** In 1995, four major eradication operations seriously curtailed marijuana cultivation. Efforts against the distribution of crack cocaine were stepped up, resulting in severe disruption of supply networks. Counterdrug action at the ports was also enhanced. There was

an increase in asset seizures over the previous year. Extraditions of non-Hondurans also increased. Honduras participated in Operation Unidos, a pan-Central American anti-drug effort. Demand reduction efforts have been highly successful due to the increase in trained personnel.

**Law Enforcement Efforts.** Marijuana seizures in 1995 were over 3.1 mt, a considerable increase over the .37 mt seized the previous year. Cocaine seizures, however, were significantly less than in years past. For the first time, counter-drug work was allocated a separate budget, thereby underscoring the GOH commitment to counternarcotics. Personnel dedicated to counternarcotics are being increased by several hundred people. The first group of new agents for the Public Ministry's narcotics unit will complete their training early in 1996.

**Corruption.** It is difficult to estimate the precise extent to which corruption impedes law enforcement, although corruption appears to be endemic. In 1995, a senior active duty military officer was sentenced to 21 years for narcotics trafficking, another step toward ending the traditional impunity enjoyed by the Honduran elite. That advance was significantly modified when early in 1996, the officer's sentence was reduced to five years.

**Agreements and Treaties.** The GOH is an active member of CICAD and has bilateral counternarcotics agreements with the U.S., Mexico, Belize, Jamaica, Venezuela and Colombia. There is no agreement with the U.S. on money laundering or precursor chemicals. In 1991 the USG and GOH signed a bilateral Tax Information Exchange Agreement (TIEA) which permits information-sharing on citizens suspected of tax fraud. The TIEA demonstrates GOH cooperation and is an extremely effective instrument for combatting money laundering. Honduras has ratified the 1988 UN Convention but has not yet fully implemented its provisions. There is a bilateral extradition treaty between Honduras and the United States, but it is used infrequently.

**Cultivation/Production.** Marijuana is produced in Honduras for domestic use. The GOH has no sophisticated technology to determine crop size, although basic aerial photography is employed. Aerial spray of herbicides is not used because illicit crops are intermingled with legitimate food sources.

**Drug Flow/Transit.** Honduras is a transit country. It is estimated that 90% of the drugs that enter the country are destined for the U.S. There was an increased number of port interdictions in the southern part of the country.

**Domestic Programs/Demand Reduction.** There is domestic crack cocaine and marijuana consumption, but the main addiction problems in Honduras remain alcohol and inhalants of all types. Honduras has an active demand reduction program which is coordinated by the Honduran Institute for the Prevention of Alcoholism and Drug Abuse. The Ministries of Public Health and Public Education are also involved in demand reduction. Non-governmental organizations, often with USG support, carried out several demand reduction activities in 1995. Over 200 people participated in community awareness workshops, which resulted in the creation of community-wide mobilization drug prevention actions.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** U.S. policy recognizes that, while Honduras is committed to the anti-drug fight, its lack of resources and ill-equipped and ill-trained personnel mean that its anti-drug efforts would be largely ineffectual without USG assistance. Honduras is among the poorest countries in the hemisphere.

**Bilateral Cooperation.** U.S. goals are to improve GOH capabilities to detect, interdict, and investigate drug traffic and to encourage cooperation with other countries on drug-related activities such as money laundering and chemical diversion. Additionally, the USG goal is to develop Honduran capability to suppress trafficking, consumption and export of illicit narcotics. In 1995 the main recipients of USG counternarcotics assistance were the canine unit, counter-drug units, and the Bay Island task force.

**The Road Ahead.** The Honduran commitment to the battle against drugs is evident. We shall continue to build on the spirit of cooperation that already exists and support Honduran efforts through training, joint exercises and other forms of available support. We will encourage the speedy passage of pending anti-narcotics legislation.

HONDURAS  
1996 INCSR

**Statistical Tables**

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>Seizures</b>							
Cocaine	[mt]	0.4	0.93	2.61	1.46	0.491	0.254
Marijuana	[mt]	1.43	0.36	<i>na</i>	0.51	0.113	4.645
<b>Arrests</b>							
Nationals						18	81
Foreigners						13	0
<b>Total Arrests</b>		630	848	122	1,462	31	81

Figures for arrests and seizures come from the Honduran Police Anti-Narcotics Unit. The statistics are neither comprehensive nor reliable. There are no statistics available in the Government of Honduras for other categories. Consumption figures are unavailable.

2/24/96

## MEXICO

### I. Summary

Because of the porous 2000-mile U.S./Mexican border and daunting volume of legitimate cross-border traffic provides near-limitless opportunities for smuggling activities and escape for fugitives, no country in the world poses a more immediate narcotics threat to the United States than Mexico. It is the principal transit route for cocaine entering the U.S. as well as a major source country for heroin, methamphetamine and marijuana. Mexican criminal groups facilitate the movement of hundreds of metric tons of cocaine from South America, 50-70 percent of the total movement from South America to the U.S., and are expanding their own role in sale and distribution in the U.S. Traffickers continued a trend noted in 1994 of using cargo jets to ferry multi-ton loads of cocaine from South America into Mexico. Drug traffickers used their vast wealth to corrupt police and judicial officials as well as project their influence into the political sector, as recent Mexican investigations have revealed. Mexico's banking and financial sector lacks adequate controls on money laundering and has become one of the most important money laundering centers in the Western Hemisphere. During 1995, the first year of the administration of President Ernesto Zedillo Ponce de Leon, the Government of Mexico (GOM) took some steps to enhance bilateral cooperation and to root out official corruption, but endemic corruption continued to undermine both policy initiatives and law enforcement operations.

Drug seizures lagged for much of the year, although several surge operations in late 1995 brought the total up to 1994 levels (but still considerably down from the record levels of 1992-3). The illicit crop eradication campaign improved, resulting in measurable increases over 1994. Drug-related arrests declined, but there were many significant arrests, including 11 key members of the Gulf Cartel; this effort culminated in the arrest of its leader, Juan Garcia Abrego, in January 1996. Much of the Zedillo Administration's anti-crime efforts in 1995 were devoted to reorganizing the Attorney General's Office (PGR), implementing sweeping reforms to the judicial system, and preparing draft legislation to reform the criminal code, including initiatives to strengthen money laundering control and combat organized crime. While this draft legislation was submitted in late 1995, the Mexican Congress will not resume debate upon it until the spring session in 1996. The PGR, which leads Mexico's anti-drug campaign, was also deeply involved in investigations into the assassinations of a leading presidential contender and a senior official in the ruling political party and related allegations of official corruption. Ongoing investigations led to the arrest of Raul Salinas, brother of former President Carlos Salinas and a senior official in the Salinas Administration.

There was extensive law enforcement cooperation between Mexican and US law enforcement agencies during 1995. The US and Mexican Attorneys General established a Senior Law Enforcement Plenary group which met four times during 1995, to oversee law enforcement cooperation and mutual legal assistance. The US provided training and technical advice to personnel of the PGR, the National Institute to Combat Drugs (INCD), and the Mexican armed forces. Secretary of Defense Perry's visit to Mexico in November resulted in a series of bilateral discussions on military cooperation and support in such areas as counternarcotics and support to civilian law enforcement authorities.



Despite cooperation and some positive results in drug enforcement, Mexico faces serious problems. The most daunting is narcotics-related corruption, which is endemic. A GOM review revealed, for example, that Mexican Federal Judicial police personnel in Baja California were involved a multi-ton cocaine shipment aboard a cargo jet in November. Police and military personnel are further hampered by continued lack of appropriate legal tools or authority to combat modern organized crime and chronic shortages of resources and equipment. The Mexican Congress began its review of a draft legislative package on organized crime submitted by Attorney General Lozano in late 1995, but will not be acted upon until it reconvenes in March 1996. Passage of this legislation would enhance the GOM's legal capabilities but resource restraints and corruption are likely to continue to limit operational effectiveness.

## **II. Status of Country**

The porous 2000-mile U.S./Mexican border and daunting volume of legitimate cross-border traffic provides near-limitless opportunities for smuggling activities and escape for fugitives. Most Mexican drug trafficking organizations are involved in trafficking of more than one illicit substance and other illegal activities. These groups facilitate the movement of hundreds of metric tons of cocaine from South America, 50-70 percent of the total movement from South America to the U.S., and are expanding their own role in sale and distribution in the U.S. While most of the marijuana consumed in the US is produced domestically, Mexico is the primary producer of foreign-grown, marijuana up to 80 percent of what is imported. Approximately 18,650 hectares of cannabis were cultivated in Mexico in 1995, which could have produced over 5,000 mt of marijuana. Mexican traffickers also produce approximately 20-30 percent of the heroin consumed in the US; they cultivated approximately 13,500 hectares of opium poppy in 1995. The USG and GOM cooperate actively in interdicting cocaine shipments from South America.

Mexico produces or imports many of the precursor and essential chemicals used in illicit drug production. Most of the imported chemicals, such as ephedrine which is used to manufacture methamphetamine, come from Europe. Mexican trafficking organizations now dominate the manufacture, sale and distribution of methamphetamine in the United States. Methamphetamine abuse is increasing rapidly in the U.S. Mexico is also an important source of designer drugs and illicit steroids. Drug abuse in Mexico remains low; alcohol, marijuana, inhalants and abuse of legal pharmaceuticals present the most serious problems. Drug use surveys conducted over the past several years with USG support revealed, a noticeable increase in illicit drug abuse in Mexico along the U.S. border and in large metropolitan and tourist areas.

Mexico has become one of the most important money laundering centers in the Western Hemisphere. It is also the most important transit point for bulk money shipments of U.S. drug proceeds of Mexican and other South American drug traffickers being moved south. The Mexican financial system remains highly vulnerable to drug-related financial transactions. Foreign and domestic currency movements are unmonitored. Any amount of deposited currency can be transferred by wire between domestic banks or between foreign and domestic institutions. There are no mandatory

reporting requirements relating to cash deposited in banks or wire transfers. In 1994, the GOM imposed a requirement that individuals entering the country declare currency or financial instruments worth 10,000 dollars or more, but not for those leaving the country. The U.S. is not aware of the results in application of this requirement.

A severe, ongoing economic crisis following the peso devaluation in December 1994 had a serious effect on the ability of the GOM to allocate sufficient resources to many of its antidrug programs.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** The GOM views drug trafficking as a serious threat to national security as well as the health of its people. President Zedillo has publicly declared drug trafficking "Mexico's number one security threat." The GOM related in October, its "National Program for Drug Control 1995-2000". In addition to interdiction, eradication, demand reduction, and international cooperation, the strategy seeks to improve the GOM's ability to address money laundering and chemical diversion, improve aerial surveillance, professionalize and modernize law enforcement, enhance intelligence capabilities, and eliminate official corruption.

Mexican authorities made some progress in fighting drug-related official corruption in 1995. Attorney General Lozano said in August that Mexico is committed to terminating the power of drug lords and the corrupt police who help them to undermine social stability. In October the PGR released the results of probes into illicit police activities as part of an initiative to clean up and professionalize the public security institutions. Due to corruption in the ranks, Lozano ordered a clean sweep of the 60 Federal Judicial Police (MFJP) in the state of Chihuahua in November and its replacement by a contingent of Mexican Army officers on detail to the PGR. While the first phase of the PGR restructuring was completed at mid-year, AG Lozano stressed that addressing the deep-rooted problems of corruption, would take all six years of the Zedillo term.

Seeking to broaden the GOM's front against narcotraffickers, President Zedillo formally raised the profile of the Mexican military in counternarcotics activities during the summer of 1995. The military's previous counternarcotics mission had been limited to illicit drug crops, surveillance and destruction of clandestine landing strips, and responding to reports of aircraft landing and narcotics air drops. Zedillo enhanced the military's involvement in interdiction. A pilot program in the state of Chihuahua, save the Army oversight responsibilities in drug operations carried out with civilian law enforcement authorities.

Defense Minister Cervantes has taken a strong stance against corruption, especially with units conducting drug control missions, regularly rotating officers of units stationed along the border to inhibit the formation of relationships with smugglers. The U.S. and Mexican militaries initiated a series of technical discussions and exchanges in 1995 to improve bilateral cooperation in areas such as support to civilian counter-drug law enforcement.

A strong bilateral relationship with the United States is the cornerstone of President Zedillo's foreign policy. He has also reaffirmed the GOM's commitment to combatting drug trafficking and judicial reform. In the

larger national context, President Zedillo is attempting to establish a greater degree of separation of powers between executive, legislative and judicial branches, to rationalize Mexico's duplicative systems of public security, and to eliminate corruption from the law enforcement and justice sectors and make them more accountable to the public. President Zedillo's first State of the Nation address September 1 stressed the rule of law, fighting narcotrafficking, and legislative initiatives. Cooperation in combatting international drug trafficking was one of the principal issues discussed by President Clinton and President Zedillo and other high-ranking officials during Zedillo's state visit to the U.S. in October.

The Zedillo Administration submitted several important legislative reform packages relating to combatting narcotrafficking and related crimes to the Mexican Congress during 1995, including:

- Money Laundering: In November, the Mexican Congress passed a series of changes to the fiscal codes, which established regulations for financial institutions aimed at combatting money laundering.

- Public Security: The Congress approved in December a Public Security law which provides for coordination of the national system of public security and professionalization of varied police entities.

- Organized Crime: The PGR submitted a criminal code reform package aimed at overcoming legal obstacles to attacking sophisticated criminal organizations, including provisions for use of modern investigative techniques such as electronic surveillance. The package was controversial and has been held over for further debate when the Mexican Congress reconvenes in March 1996.

The PGR conducted a series of seminars in Mexico City and six regional cities in August to educate legislators on the intricacies of money laundering and how to combat it. The Autonomous Technological Institute of Mexico (ITAM) and the USG co-sponsored a seminar on criminal conspiracy case studies in November to promote public debate on pending legislation by bringing together Mexican legislators with U.S., German, and Italian experts on anti-conspiracy laws. Late in 1995 the Mexican Chamber of Deputies analyzed the possibility of offering plea bargains to low-ranking narcotics suspects whose information might lead to the arrest of major drug traffickers, reducing the sentences of traffickers surrendering voluntarily, and rewarding citizens who contributed valuable information in fighting organized crime.

**Accomplishments.** Mexican authorities seized 22.2 mt of cocaine during 1995, on par with 1994 seizures, while marijuana seizures increased to 780 mt. The GOM seized 223 kgs of opium gum and 203 kgs of heroin. The expansion of the federal highway checkpoint program around the country helped to increase drug seizure results. GOM personnel also located and destroyed nine clandestine drug laboratories (7 methamphetamine, 1 cocaine and 1 MDMA/Ecstasy). The GOM reported eradicating 21,573 hectares of marijuana (252,622 plants) and eradicating 15,389 hectares of opium poppy (191,263 plants), more than 40 percent over 1994 rates. USG analysts examining the impact of this eradication effort, or "effective eradication" rate, determined that the GOM effort effectively eradicated 8,450 hectares of

opium poppy and 11,750 hectares of marijuana in 1995, respective increases of 27 percent for marijuana and 22 percent for opium poppy (see chart). Aerial eradication operations by the PGR consumed a significant claim on PGR resources. In addition, manual eradication continued as the single biggest claim on Mexican army resources.

Mexico's air interdiction program, Operation "Halcon" (falcon), known in the U.S. as the Northern Border Response Force (NBRF), continued to build on strong U.S./Mexican cooperation in its operations against general aviation aircraft used by traffickers. The program also continued to expand its capabilities to move against overland and maritime trafficking as well. NBRF/Halcon operations resulted in the seizure of 18.5 mt of cocaine, as well as a 13.5 mt maritime seizure of Asian hashish, the largest ever in Latin America. They also resulted in the seizure of 11 aircraft, 13 vessels, and the arrest of 886 suspected traffickers.

Among the most significant traffickers arrested by GOM authorities in 1995 were: Hector Luis Palma Salazar, aka "El Guero," one of the most wanted criminals in Mexico and an important member of the Sinaloa Cartel headed by Amado Carrillo Fuentes; Jose Adolfo de la Garza-Robles (aka "El Borrado") believed by U.S. officials to be the principal contact between the Gulf Cartel and Colombian narcotraffickers; and Jose Luis Sosa Mayorga, aka "El Cabezón," a high-ranking Gulf Cartel member suspected of being the principal coordinator for narcotics flights coming into Mexico from Colombia and Guatemala. Humberto Garcia Abrego, considered to be the brains of the Gulf Cartel headed by his brother Juan Garcia Abrego, received a five-year and two-month prison sentence for money laundering. Joaquin Guzman Loera, aka "El Chapo," the target of the May 1993 attack at the Guadalajara airport by the Arellano Felix drug trafficking organization that killed Cardinal Posadas, was sentenced to 15 years in prison for charges stemming from June 1993 when he was apprehended in possession of cocaine in Guatemala and turned over to Mexico. The GOM confiscated suspected trafficker assets and froze local and regional bank accounts in order to further drug-related criminal investigations.

The PGR/DEA bilateral working group on precursor chemicals carried out investigations and seizures during 1995 which documented the large scale diversion of ephedrine in Mexico by polydrug cartels. Mexican drug cartels find the ephedrine/methamphetamine business attractive because the profit margins exceed those of cocaine and they are not dependent on Colombian or other trafficking groups for their supply. Although the GOM proposed legislation in 1993 based on the CICAD model regulations on precursor chemicals, the Mexican Congress adopted only minor changes in the general health law, which still lacks sufficient penalties to be an effective control on precursor chemicals.

Mexico initiated and coordinated two international counternarcotics surge operations in 1995. Operation "Triangle," brought Mexico, Guatemala and Belize together in a tri-border effort in June. Together, these governments seized over 1.5 mt of cocaine and set the stage for the follow-on Operation "Unidos." "Unidos" brought the entire Mexico/Central American region together, including police and military forces, for a ten-day operation in

November which resulted in seizure of almost 5 mt of cocaine. These types of regional operations are unprecedented in Mexico's counterdrug efforts, especially in terms of the massive logistics and international cooperation required to implement them. One of the most important drug seizures by the Mexican Navy took place in August when 1,125 kg of cocaine was confiscated as a result of a firefight with narcotraffickers trying to cross the Usumacinta river from Guatemala into Mexico.

In May, following a six-month PGR investigation into money laundering activities, authorities arrested three individuals, presumed to be members of the Cali Cartel, at the Mexico City airport carrying 1.529 million dollars.

In May 1995, Mexican authorities arrested Raul Salinas, brother of former Mexican President Carlos Salinas and a senior official in his administration. He was arrested on charges of involvement in the murder of a senior ruling party official and graft. In an important development in November, Swiss authorities arrested Raul Salinas's wife when she attempted to withdraw funds from an account opened under an alias. Since then, Swiss officials have provided many additional leads to Attorney General Lozano's investigations. GOM investigations of Raul Salinas and former Deputy Attorney General Mario Ruiz Massieu, brother of the slain political official, are likely to lead to dramatic revelations about official corruption.

**Cultivation and Production.** Mexico is a leading supplier of marijuana and a significant supplier of heroin to the United States. The highest percentage of illegal drug cultivation was in the states of Sinaloa, Michoacan, Durango, Chihuahua, and Guerrero. The GOM does not prepare nation-wide crop estimates, but the Secretariat of National Defense uses imagery from aerial survey flights conducted by the Air Force to plan manual eradication operations by the Army. Mexico pursued UN Convention objectives aimed at reducing and eliminating illegal drug cultivations.

**Agreements and Treaties.** Mexico has bilateral narcotics accords with 21 countries and is a party to the 1988 UN Convention, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Mexican and Guatemalan representatives met in August to review their narcotics accord and exchange information on how the two countries could improve the fight against drugs. Mexico has signed several other international anti-drug agreements, such as the Declaration and Program of Action of Ixtapa (1990), which commits signatories to enact money laundering and chemical control legislation.

The United States and Mexico are parties to numerous treaties and agreements relating to cooperation in law enforcement. The Financial Information Exchange Agreement (FIEA), which went into effect in February 1995, provides for sharing of information on currency transactions through financial institutions. The two governments also signed an Asset Sharing Agreement. The Mutual Legal Assistance Treaty (MLAT) facilitates the exchange of evidence in connection with criminal matters; it functioned satisfactorily during 1995. The U.S./Mexico extradition treaty, which entered into force in 1978, provides the basis for cooperation on the return of fugitives. Although both countries are improving the mechanics of this system, extradition proceedings in Mexico are generally slow. Mexican law bars the extradition of Mexican nationals except in exceptional

circumstances. Mexico extradited four U.S. fugitives in 1995. The USG currently has several requests for the extradition of suspected drug traffickers. But extradition and/or domestic prosecution for narcotics offense is made extremely difficult (or impossible) because Mexico does not accept much of the evidence gathered against the defendants by USG authorities. At USG request, Mexico continued to arrest and deport a few undesirable aliens (U.S. citizens) to the United States in 1995, who otherwise would have been subject to lengthier, costlier extradition procedures.

**Drug Flow/Transit.** Traffickers continued to react quickly in 1995 to successful operations targetted at their transportation networks. U.S. and Mexican officials worked together to thwart the use by traffickers of jet cargo aircraft to smuggle multi-ton loads of cocaine into Mexico from Colombia. The smugglers' jet aircraft travel at speeds which easily outrun the overmatched detection and monitoring aircraft available to Mexico. They also complicate identification by blending with commercial cargo and passenger aviation. The payload capacity of these jet aircraft permit one flight to replace 10-15 general aviation flights. But traffickers continued to use general aviation flights as well, as seen by the capture of a Turbo Commander and over 800 kilograms of cocaine in the state of Jalisco in November. The USG is providing equipment and instruction to the PGR to enhance its night operation capabilities.

**Demand Reduction Programs.** The number of government, voluntary and community organizations involved in drug prevention, research, treatment, and education in Mexico increased in 1995, although many were forced to work with minimal resources. Mexico's drug treatment authorities are concerned that the depressed economy could lead to increased drug use. Mexican prevention programs, based on U.N. Convention demand reduction objectives, focused on educating, training and mobilizing the community. A program of surprise drug tests was implemented among the Mexico City auxiliary police in June in response to a series of accidents in which citizens had been injured by auxiliary police suspected of being under the influence of drugs. Mexico also pursued comprehensive drug abuse prevention programs by cooperating with other hemispheric nations through multilateral organizations.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** USG narcotics control policy seeks to strengthen the political commitment and institutional capability of the GOM to enable it to take effective action against drug production, trafficking, and related crimes, to work with the GOM to cripple the trafficking organizations that operate in Mexico by apprehending and prosecuting the trafficker leadership and disrupting or dismantling their operations, to develop cooperative initiatives along our common border, to increase the effectiveness of each nation's counternarcotics programs, and to strengthen U.S. interdiction efforts on our southwest border to complement Mexico's efforts.

**Bilateral Cooperation.** In February, senior US and Mexican law enforcement and diplomatic officials began an unprecedented series of law enforcement plenaries. Six such meetings were held through the year, as well as a host of working group meetings stemming from the plenaries. Among the topics regularly discussed were counternarcotics cooperation, extradition,

and related fugitive issues, prisoner transfer, money laundering, arms smuggling, and white collar crime. In October, U.S. Secretary of Defense Perry proposed the establishment of a Bilateral Working Group and the Mexican Government agreed. The purpose of the group is to determine areas for increased cooperation in areas of mutual interest, such as counternarcotics. In addition, GOM and USG officials also met often during the year on a formal and informal basis to discuss how to improve and increase cooperation in various areas of mutual interest.

In addition to ongoing cooperation on the Halcon/NBRF interdiction program, the US and Mexico worked together on a broad range of legal and law enforcement issues. Several major bilateral money laundering investigations were conducted by the GOM's treasury department (Hacienda) with USG counterpart agencies. These investigations involved suspect money laundering transactions totaling hundreds of millions of dollars.

Based on the Asset Sharing Agreement signed in May, the US transferred six million dollars in seized trafficker assets to the GOM in October for its support of a major money laundering investigation in the United States. President Zedillo earmarked the windfall for strengthening the continuing fight against drug trafficking and money laundering. During 1995, Mexico participated in three working-level conferences on money laundering during which a Communique was drafted; the Communique was issued at the Summit of the Americas ministerial-level money laundering conference in Buenos Aires, Argentina on December 2.

While the GOM has declined direct US assistance to its counternarcotics programs since 1993, the current economic crisis in Mexico, compounded by a perceived worsening of the drug threat to Mexican national security, led the GOM to accept some equipment and technical support to enhance programs such as Operation Halcon/NBRF. Remaining US funds from prior years were spent on enhancements to the PGR aviation maintenance base at Guadalajara, improvements to communications systems used in the interdiction program, and to conduct an administration of justice seminar in Mexico on successful conspiracy laws in three other nations. The GOM complied with its commitment to bilateral agreements and project memoranda of understanding covering these areas of bilateral cooperation. The two governments are also discussing the development of a pilot program in the area of administration of justice which would provide training and equipment for judges, prosecutors, and investigators.

To further strengthen its interdiction and eradication programs, the PGR leased 12 UH-1H's from the USG in October and extended the lease of 18 others. The PGR sent 29 of its pilots to the U.S. for advanced night-flight training at Ft. Rucker, Alabama to enhance the NBRF's ability to respond to nighttime trafficking. PGR UH-1H mechanics received training at the Interamerican Air Forces Academy, Lackland AFB, Texas. In November the PGR accepted a USG aviation training proposal for 1996 that will help prepare additional air crews and mechanics needed to operate and maintain the 12 UH-1H helicopters leased to the GOM in 1995.



The USG provided law enforcement training programs for GOM officials that focused on air, land, and sea interdiction, money laundering and precursor chemical investigative techniques, and customs procedures. Mexico hosted narcotics-related working visits from the U.S. Attorney General and Secretary of Defense and other high-ranking US officials in 1995.

**The Road Ahead.** While important steps were taken in Mexico during 1995 to counter the effect of drugs moving from and through Mexico into the United States, these efforts did not result in the level of disruption or deterrence desired by either government. The Mexican drug cartels are growing in wealth, sophistication, and the ability to project operations internationally. Despite improvements in eradication, illicit cultivation of opium poppy and marijuana continue to provide a significant source of raw material for the US drug market. The Mexican financial system facilitates money laundering and GOM officials lack the training and legal framework to effectively curb the diversion of chemicals. Despite determination at senior levels in the GOM to stop it, official corruption remains deeply entrenched and resistant, and comprises the major impediment to a successful counternarcotics program.

The USG will continue to pursue cooperative investigations and information sharing, and it will seek to provide technical and material assistance to the GOM to strengthen its counternarcotics infrastructure, its institutions, its domestic interdiction and eradication capabilities and its demand reduction programs. The USG will look to Mexico for even greater political commitment and greater openness to effective bilateral and multilateral cooperation and will expect to see greater progress, principally against major drug trafficking organizations and in development of effective national counternarcotics institutions. In its first year, the Zedillo Administration proposed a number of worthwhile initiatives that would contribute towards an effective anti-drug program and a productive bilateral partnership. It remains to be seen if Mexican governmental institutions can muster the capacity and will to carry through fully on these initiatives. The Garcia Abrego arrest and expulsion was an encouraging beginning to 1996.



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**Statistical Tables**


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TABLES for CY		1995	1994	1993	1992	1991	1990	1989	1988
<b>OPIUM</b>									
Potentially harvestable	[ha]	5,050	5,795	3,960	3,310	3,765	5,450	6,600	6,700
Eradication [a]	[ha]	8,450	6,620	7,820	6,860	6,545	4,650	3,000	2,737
Cultivation	[ha]	13,500	12,415	11,780	10,170	10,310	10,100	9,600	9,437
Potential Yield	[mt]	53	60	49	40	41	62	66	67
<b>CANNABIS</b>									
Potentially harvestable	[ha]	6,900	10,550	11,220	16,420	17,915	35,050	53,900	5,003
Eradication [a]	[ha]	11,750	8,495	9,970	12,100	10,795	6,750	4,000	3,997
Harvestable Cultivation	[ha]	18,650	19,045	21,190	28,520	28,710	41,800	57,900	9,000
Whole dry plant [b]									
Yield (1.13 mt/ha)	[mt]						39,600	60,900	5,655
Usable Plant [b]									
Yield	[mt]	5,540	5,540	6,280	7,795	7775#	9,700*	30,200	-
<b>Seizures [d]</b>									
Opium	[mt]	0.22	0.15	0.13	0.17	0.10	0.40	-	0.16
Heroin	[mt]	0.203	0.297	0.062	0.097	0.15	0.18	0.15	0.07
Cocaine	[mt]	22.2	22.1	46.2	38.8	50.3	48.5	38.1	15.40
Cannabis	[mt]	780.2	528.4	494.7	404.6	254.9	408.0	412.0	278
<b>Arrests</b>									
Nationals		9,728	14,968	17,551	27,369	8,621	18,000	15,849	14,000
Foreigners		173	146	75	208	141	194	292	275
Total Arrests		9,901	15,114	17,626	27,577	8,762	18,194	16,141	14,275
<b>Labs Destroyed [d]</b>									
Heroin		1	9	-	-	8	12	12	8
Cocaine		1	-	-	-	1	1	5	1
Methamphetamine		7							
Total Labs		9	9	5	4	9	13		

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- (a) The eradication figures shown are derived by the USG from data supplied by Mexican authorities. The effective eradication figure is an estimate of the actual amount of a crop destroyed, factoring in replanting, repeated spraying of one area, etc.
- (b) 1990 information from Government of Mexico officials gave us a more accurate understanding of the actual amount of usable plant yield versus whole plant yield. Accordingly we have used the "usable plant yield" to calculate production figures for both 1989 and 1990.
- (c) Extrapolation for full year of seizures January - October 1993.
- (d) Cendro statistics do not specify whether they were heroin or cocaine processing labs.

\* Data through October 31, 1995.

\*\* Usable plant yield .56 mt/ha

# Usable plant yield .434 mt/ha



## NICARAGUA

### I. Summary

Nicaragua is a drug transit country with a growing consumption problem. In 1995 the Government of Nicaragua (GON) signed the Summit of the Americas's action plan to combat money laundering. It is unlikely that Nicaragua's weak judiciary and poorly equipped and trained police force will be able to prevent the narcotics situation from growing worse. At the request of the Nicaraguan government, DEA opened a temporary, three-month office in Managua which drew national attention to narcotics issues. Cooperation was excellent between DEA and GON law enforcement officials. At the end of the year, the government formally requested the opening of a permanent DEA office.

### II. Status of Country

Evidence from USG agencies and the National Police indicates that the drug trafficking situation in Nicaragua continues to worsen. The proximity of Colombia's San Andres island coupled with the extreme poverty and unemployment of northeast Nicaragua make that region a particularly vulnerable target for traffickers. Drug use is minimal but continues to increase, especially along the Atlantic Coast where trafficking is most prevalent.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In 1995 the GON failed to make significant progress on, the development of a national drug strategy. Narcotics legislation that was passed in 1994 went largely unimplemented. Committees established by the drug law met so infrequently as to render themselves ineffective. In April, the GON formally requested the opening of a temporary, three-month office of the DEA in Managua to assess the feasibility of establishing a more permanent DEA presence. The office opened in mid-August, and the agent was well received by the police, legislators and the general public. At the end of the year, the GON formally requested the establishment of a permanent DEA office in Managua. Nicaragua was the only country that did not send a high-level policy official to the October meeting of the Inter-American Drug Abuse Control Commission (CICAD) held in Washington.

**Accomplishments.** In November, Nicaraguan military and police forces cooperated with USG attempts to capture suspected traffickers operating in Nicaraguan national waters. The GON quickly granted permission for a U.S. Navy vessel and a surveillance aircraft to enter Nicaraguan waters to track a suspected trafficker and relay the information to Nicaraguan army boats. The police cooperated fully with DEA during the 90-day temporary assignment in-country and with DEA Costa Rica throughout the year.

**Law Enforcement Efforts.** Police interdiction efforts are greatly hampered by a lack of counternarcotics training as well as minimal material and financial support. Based on information provided by DEA, in April the police seized 1.4 mt of cocaine from a fishing vessel off the Atlantic Coast and arrested six crewmen. The police continued to arrest small-scale traffickers, resulting in nominal seizures of both cocaine and marijuana, but few convictions resulted.

**Corruption.** The Nicaraguan legal system is particularly weak in its ability to prosecute suspected narcotics traffickers. In April, the Nicaraguan Supreme Court dismissed a lower level magistrate after he released "for lack of evidence" five of the six crewmen arrested in the April seizure of 1.4 mt of cocaine. In another case, a judge ordered the release of a former army officer for lack of evidence linking him to the July 30 hijacking of a small chartered commercial aircraft. Authorities suspected he had organized the hijacking on behalf of Colombian drug traffickers. The GON had strong circumstantial evidence linking him to the pilot, an ex-Nicaraguan air force officer. The stolen plane was flown to Colombia, where it and the murdered body of the original pilot were later found by Colombian police.

**Agreements and Treaties.** Nicaragua became a party to the 1988 UN Convention on drug trafficking in 1990. The government signed no new multilateral narcotics agreements in 1995.

**Drug Flow/Transit.** The Atlantic Coast region with its porous coastline, offshore cays and islands is one of the major cocaine transit routes from Colombia to North America. Traffickers stage drug shipments on Nicaragua's Corn Islands, the Miskito Cays, and roughly 100 miles offshore on Colombia's San Andres island. Smaller quantities are moved up the Pacific coast and over the Pan American highway.

**Domestic Programs.** Drug consumption in Nicaragua is growing. The GON's Inter-agency Drug Council, established by the 1994 drug law, met three times in 1995 and proved an ineffective mechanism for debate and policy-making. Small, under-funded narcotics education programs exist, primarily among local NGOs.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG continued to encourage the GON to cooperate more closely on narcotics matters with other governments in the region and with international agencies. The USG responded positively to the GON's request for a temporary DEA agent and indicated it would look favorably on the GON request for long-term DEA presence. The USG has repeatedly reminded the GON that law enforcement assistance is limited by Nicaragua's lack of progress on outstanding human rights issues involving the police.

**Bilateral Cooperation.** Bilateral agreements signed in 1991 and 1992 focus on demand reduction projects. In 1995 the USG disbursed some \$75,000 for demand reduction projects, including the visit of major league baseball players to conduct clinics for local coaches and children with a 'say no to drugs' component.

**Road Ahead.** The situation in Nicaragua will continue to decline if police resources are not enhanced to counter narcotics trafficking effectively. These problems will be evident particularly on the Atlantic Coast. The USG will continue to push for greater judicial accountability in drug cases, for the development and implementation of a national narcotics policy, for stronger anti-drug legislation, and for more intensive international counternarcotics cooperation.

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**Statistical Tables**


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TABLES for CY		1995	1994	1993	1992
<b>SEIZURES</b>					
Cocaine	[mt]	1.323	1.128	0.155	0.096
Heroin	[mt]	-	-	-	0.008
Marijuana**	[mt]	0.409	0.215	0.268	0.235
<b>ARRESTS***</b>					
Total		343	326	1208	1517

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## PANAMA

### I. Summary

Panama's financial institutions are used by traffickers to launder drug-related proceeds. The country is also a major transshipment site for cocaine being moved from Colombia to the U.S. The Government of Panama (GOP) continued to make progress in drug control in 1995. Among the GOP's accomplishments were the passage of money laundering legislation and the arrest of two major money launderers who operated out of the Colon Free Zone (CFZ), one of whom was expelled to the United States where he pled guilty to related charges. The GOP has yet to successfully prosecute major money launderers in Panama, to tighten up money laundering controls, particularly in the CFZ, or to make functional its new financial analysis unit. The GOP made major seizures and arrests in territorial waters and successfully eradicated cultivations of marijuana and coca. The GOP has also acknowledged a severe domestic drug abuse problem and is aggressively pursuing prevention and education campaigns.

### II. Status of Country

As a financial and commercial center with a location that is ideal for narcotics smuggling and illicit financial transactions, money laundering remains the major problem in Panama. Factors that facilitate money laundering in Panama, and especially in the Colon Free Zone, include weak controls on cash and commodity imports/exports, lax incorporation regulations, and a dollar-based economy. Steps to improve regulations include recently passed legislation requiring financial institutions to implement a suspicious transaction reporting regime and "know-your-customer" procedures. Armed with more effective legal, policy, and institutional underpinnings, the GOP expects to control money laundering more effectively in 1996.

Although not a large grower of coca or marijuana, Panama is a major drug transit point due to its close proximity to the source countries of South America. Panama has not yet developed the resources or expertise to interdict narcotics on a consistent basis.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Perez Balladares administration strengthened the GOP's anti-money laundering policy by enacting new legislation which will help Panama to fulfill its obligations under the 1988 UN Convention.

**Accomplishments.** Panama is meeting the 1988 UN Convention's guidelines under demand reduction, chemical control, crop eradication, and interdiction. Progress was also made, to a lesser degree, on money laundering. In 1995, the GOP initiated the first of its money laundering controls, the establishment of the Financial Analysis Unit (FAU), which is expected to be fully operational in 1996.

**Law Enforcement.** Cocaine seizures by GOP public security forces exceeded five metric tons. Late in 1995, JICC (Joint Information Coordination Center) administrators held a training seminar with the Judicial Technical Police (PTJ) during multi-lateral operations throughout Central America. Cooperation with DEA at the working level was excellent. Cooperation with USG authorities resulted in major maritime seizures.

**Money Laundering.** A presidential decree in March 1995 formalized the position of "drug czar" and established a permanent presidential commission to oversee money laundering control efforts. The commission will ensure cooperation and policy compliance by government agencies and key private sector institutions. The FAU will collect and analyze data on financial transactions to identify criminal activities. Although the FAU was inaugurated in July 1995, it probably will not become fully functional until the second quarter of 1996.

The PTJ will establish a special unit to investigate financial crime. In November a law was passed to modify Law 41 of 1990, Panama's criminal statute against money-laundering. It contains provisions to strengthen Panama's anti-money-laundering efforts, including suspicious transaction requirements, "know your client" procedures, "whistle-blower" protection, and prescribed punishment for code violations. The PTJ detained two of Panama's alleged principal money launderers who were wanted on U.S. warrants. The GOP expelled one of the two accused money launderers, an Israeli citizen, to the U.S., where he subsequently pled guilty. The other suspect, a Panamanian, was detained pending a U.S. extradition request. As Panama's law prohibits extradition of its nationals, at year's end USG and GOP officials were working together to gather enough evidence to prosecute the Panamanian in Panama's courts.

**Asset Seizure.** Panamanian law provides for seizure of narcotics-generated proceeds, but forfeiture of assets rarely occurs. United States Customs shared with the GOP approximately \$40,000 in the proceeds of assets forfeited in the U.S.

**Precursor Chemicals.** Panama is not a major producer or significant consumer of essential chemicals. It processes small amounts of cocaine and heroin. Law 13 of 1994 establishes penalties for the illicit manufacture, use, and transport of precursors. In 1995 over a dozen chemical companies were examined based on US government information; however, none were charged with violations.

**Corruption.** The GOP customs director fired over 60 customs inspectors in 1995. The drug prosecutor's office claims that approximately half the drug arrests in 1995 involved active duty or retired public security personnel. Both the Immigration Service and the National Police have moved strongly against cases of narcotics-related corruption as they are uncovered. Corruption in the judiciary is also a problem. The GOP does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds. Despite the GOP's efforts, corruption is widespread.



**Agreements and Treaties.** Panama is party to the 1988 UN Convention, the 1961 Single Convention on narcotic drugs, the 1972 protocol amending the single convention, and the 1971 convention on psychotropic substances. The US/Panamanian Mutual Legal Assistance Agreement, which was ratified by the GOP in 1991, was put into effect in 1995. The GOP is an active participant in CICAD; Panama's attorney general was CICAD president in 1995. Panama actively participates in the Caribbean Financial Action Task Force (CFATF) and the Basel committee's Offshore Group of Bank Supervisors (OGBS). In 1995, the USG signed five new letters of agreement for counternarcotics cooperation with the GOP. The US/Panamanian extradition treaty is rarely invoked because Panama uses its domestic law when extradition involves drug trafficking offenses.

**Cultivation and Production.** Panama is a small-scale producer of coca leaf. With USG support, the GOP's National Air Service (SAN) conducted successful coca eradication campaigns. Approximately 45 hectares of coca were sprayed in March in the Darien province, and 60 hectares were eradicated in November. SAN forces also destroyed a maceration pit which had the potential to produce 75-100 kilos of paste per week. During the November operation, over 40 hectares of marijuana also were sprayed.

**Drug Flow/Transit.** The majority of drug seizures in Panama is cocaine, although lesser amounts of marijuana and heroin are also confiscated. Drugs transit Panama by sea, air, and land. Most seizures in 1995 took place in Panamanian territorial waters or port facilities on both coasts.

**Demand Reduction.** Drug abuse continues to be a serious problem in Panama, which has one of the highest levels of cocaine addiction in Central America. The Ministry of Education (MOE) provides monthly training for youth leaders from public schools in prevention and reduction techniques. With USG support, the ministry established a national drug awareness resource center and provided training to over 100 physical education teachers. In December, Panama's First Lady and the USG worked together to sponsor an anti-drug seminar at the presidential palace which was conducted by two US experts to help form a coalition modeled on the Partnership for a Drug Free America. Demand reduction efforts are also being carried out by the National Drug Prevention and Rehabilitation Committee (CONAPRED), the Ministry of Health, and leading NGO's such as Pride/Panama and Cruz Blanca.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG continues to provide materiel, information and training to the GOP to improve the performance of its counternarcotics institutions. This assistance is used against money laundering and trafficking organizations and to disrupt the flow of drugs. The USG is committed to strengthening Panama's judicial system, encouraging revision of laws and regulations, and ensuring strict law enforcement.

**Bilateral Cooperation.** USG and Panamanian law enforcement agencies conducted joint investigations, shared intelligence, and collaborated on the interdiction of illegal narcotics. The USG supported several extensive GOP

projects, including long term on-site assistance to the National Maritime Service (SMN) by a US Coast Guard International Maritime Law Enforcement Team (IMLET). In 1995, a total of 43 SMN students graduated from the US Naval Small Craft Instruction and Technical Training School (NAVSCIATTS) and 13 SAN personnel received training from the School of the Americas in Panama. Two joint "operation vista" patrols were conducted involving SMN vessels, SAN aircraft, and US Coast Guard cutters.

The GOP is making progress toward accomplishing the goals of its bilateral agreements with the USG for maritime law enforcement and chemical control. The PTJ continues to provide information on suspected essential chemical shipments.

**The Road Ahead.** The GOP must upgrade existing institutions, continue to improve its laws, and more actively investigate and prosecute money laundering and narcotrafficking offenses. The GOP is still not fully providing asset forfeiture assistance to the US or other countries. Due to limited resources and expertise, the GOP will continue to seek foreign assistance to build effective institutions. The USG's objectives for 1996 include better implementation of money laundering controls, including cross-border currency declarations, institutionalized coordination of national drug control policies, and tighter customs controls at ports and airports. The USG also hopes to create SAN independence in crop eradication and interdiction.

## **THE CARIBBEAN**



## THE BAHAMAS

### I. Summary

The Bahamas remains a major transit country for U.S.-bound Colombian cocaine and Jamaican marijuana, despite significant reduction over the past ten years of the volume of drugs moving through it. The Bahamas is a dynamic financial services center and a tax haven with bank secrecy laws, conditions conducive to money laundering. There is little significant cultivation or production of illegal drugs in The Bahamas.

Effective Bahamian and combined U.S.-Bahamian drug enforcement efforts continue to dampen drug trafficking through The Bahamas. The Government of the Commonwealth of The Bahamas (GCOB) strives to fulfill the goals and objectives of U.S.-Bahamian bilateral counternarcotics accords, including extraordinary cooperation with USG drug interdiction efforts. Concerned by trafficker use of Cuban territory to evade Bahamian law enforcement, during 1995 the Bahamian police established improved telecommunications ties with working level Cuban counternarcotics officials. The first country to ratify the 1988 UN Convention, The Bahamas took further steps during 1995 to implement it. The Bahamian parliament adopted improved anti-money laundering legislation, which is expected to enter into force in the first half of 1996 when implementing regulations are issued. The GCOB also moved to strengthen its justice system, with assistance from the USG. Demand reduction efforts are supported by the GCOB, UNDCP and the USG. The number of new drug users appears to have declined notably since the mid-1980s, although a high number of chronic cocaine addicts remains a serious problem, as does drug-related street crime. As a matter of policy, the GCOB does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds therefrom. Over the past several years, The Bahamas has prosecuted and convicted some middle and low-level officials for narcotics-related corruption.

To bolster its counternarcotics and money laundering defenses, The Bahamas needs to continue its efforts to improve the efficiency and effectiveness with which the justice system handles drug-related cases and intensify its efforts to forfeit assets from traffickers. Increasing forfeitures would not only deter traffickers, but would also better enable the GCOB to fund its own drug control activities. The Bahamas will need to enforce its new money laundering legislation vigorously, especially the requirements for recording and reporting suspicious transactions, and to undergo evaluation of its money laundering controls by the Caribbean Financial Action Task Force, an action which has been postponed until after implementation of the new money laundering law.

### II. Status of Country

The Bahamas, a country of 265,000 people scattered over an area the size of California, is strategically located on the air and sea routes between Colombia and the U.S. The Bahamian archipelago contains hundreds of small, deserted islands used for transshipment and temporary

drug storage, and is only 40 miles from south Florida at its closest point. Trafficker aircraft and boats blend in with the many legitimate craft moving among the islands and to the U.S. The Bahamas is a dynamic financial services center and a tax haven with bank secrecy laws, conditions conducive to money laundering. There is little significant cultivation or production of illegal drugs in The Bahamas.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** During 1995, the GCOB extended its efforts to fulfill the objectives of the 1988 UN Convention by adopting stronger money laundering legislation and moving to strengthen its justice system. New anti-money laundering legislation was passed by the parliament, but the GCOB has delayed enacting this legislation until implementing regulations are ready and until financial institutions can be educated on the provisions of the new law. The legislation makes money laundering an explicit criminal offense and makes it a crime to fail to report transactions suspected to be part of a money laundering scheme.

**Accomplishments.** Working closely with the U.S., the GCOB continued to place special emphasis during 1995 on strengthening its justice system. Because of justice system inefficiencies, Bahamian emphasis on the rights of defendants, the practice of granting bail while convictions are appealed, and the reluctance of juries to convict Bahamians for drug offenses, too few Bahamian traffickers have spent substantial time in jail. To improve the system's efficiency, the GCOB has significantly increased the budget of the justice sector. The GCOB also worked closely with the USG to implement a U.S. assistance program designed to speed the processing of narcotics cases by two principal means: implementing a court automation system and training court reporters. In March the GCOB passed additional legislation, complementing legislation adopted in 1993, designed to reduce or eliminate the use of time-consuming preliminary inquiries in criminal cases. This legislation has yet to be implemented, however, in part because of constitutional issues. Concerned by trafficker use of Cuban airspace and waters to evade Bahamian law enforcement, during 1995 The Bahamian police established improved telecommunications ties with working level Cuban counternarcotics officials.

**Law Enforcement Efforts.** For over ten years the Royal Bahamas Police Force (RBPF) has participated with Turks and Caicos Islands police and DEA in Operation Bahamas and Turks and Caicos (OPBAT). OPBAT is a joint program designed to intercept narcotics shipments and arrest traffickers in the Turks and Caicos islands (a neighboring British Dependent Territory) and The Bahamas. U.S. Coast Guard and U.S. Army helicopters, operating from three bases established with considerable USG assistance, facilitate these operations. The GCOB continued to demonstrate its strong commitment to OPBAT during 1995, dedicating almost all of the police 23-person counternarcotics strike force to the operation.

Although cocaine seizures during 1995 remained far below the levels of the late 1980s, there were indications of increased trafficking in cocaine. The dramatic increase in marijuana seizures compared to 1994 reflects a

substantial increase in marijuana trafficking. A notable development during the year was evidence that traffickers, using both aircraft and small boats, were increasingly sending cocaine and marijuana from Jamaica to The Bahamas for eventual transshipment to the U.S. Traffickers continue to use other tactics that are difficult for U.S. and Bahamian law enforcement to counter. For example, they make non-stop round trip flights from Colombia, make airdrops directly to waiting boats, use Cuban waters to evade OPBAT efforts and drop off drugs from aircraft making only momentary landings in The Bahamas.

The GCOB also conducts increasingly successful counternarcotics investigations. Two major investigations, conducted jointly by the Drug Enforcement Unit (DEU) of the RBPF and DEA, culminated in the arrest during 1995 of several significant Bahamian drug traffickers. Because of liberal bail policies, the arrested traffickers were free on bail at the end of the year while awaiting trial. The DEU consists of approximately 70 people, which includes the 23-person strike force. During 1995, 1,565 persons were arrested on drug charges, 1440 of whom were Bahamian nationals, according to GCOB statistics.

The passage of new money laundering legislation reflects an increased emphasis by the GCOB on combating this problem. In addition, the current U.S.-Bahamas mutual legal assistance treaty (MLAT) authorizes, as an exception to bank secrecy laws, access to records in cases of suspected narcotics money laundering. The GCOB has agreed to an independent evaluation of its money laundering controls by the Caribbean Financial Action Task Force. The GCOB had requested, however, that the evaluation be postponed until 1996 so that it would occur after implementation of the new money laundering law.

The GCOB has simplified procedures for registering shell corporations, known as international business companies (IBCs), which can issue bearer shares. Reporting requirements for IBCs, currently numbering over 38,000, are minimal and they could be used by criminals to facilitate money laundering.

Under Bahamian law, the assets of a convicted drug offender are subject to forfeiture. A procedure also exists for the civil forfeiture of assets which are the proceeds of trafficking or which are used for trafficking. Over the past several years the GCOB has had difficulty making effective use of the asset forfeiture tools available to it, in part because of the delays which plague the country's legal system. During 1995, however, a joint effort by the GCOB's Ministry of Finance and Attorney General's office seemed to be producing positive results in this area. Moreover, during 1995 drawn out forfeiture proceedings against valuable real estate formerly owned by Carlos Lehder, a drug kingpin jailed in the U.S., were completed, with the GCOB receiving uncontested title to this property.

**Corruption.** As a matter of policy, the GCOB does not encourage or facilitate illicit production or distribution of drugs, or the laundering of illicit proceeds therefrom. Some mid- and low-level officials who engaged in narcotics-related corruption have been prosecuted and convicted over the

past several years. In 1995 proceedings continued against three police officers accused of plotting to steal drugs from a police storage facility. At year's end, the matter had not yet been resolved. Nevertheless, the current weaknesses of the judicial system reduce the possibility that narcotics traffickers and corrupt officials who assist them will serve appropriately lengthy prison sentences.

**Agreement and Treaties.** The GCOB works to accomplish the goals and objectives of U.S.-Bahamas bilateral narcotics control agreements, which specify cooperative action on a wide range of narcotics-control measures such as: improving the efficiency and effectiveness of the Bahamian judicial system; controlling money laundering; collecting and analyzing drug-trafficking information; reducing the demand for drugs in The Bahamas; and stemming the flow of drugs via OPBAT and other cooperative efforts. The U.S.-Bahamas MLAT facilitates the exchange of information and evidence, including that pertaining to narcotics-related money laundering. The GCOB generally responds positively to specific requests under the MLAT, although the response time can be very slow.

The new U.S.-Bahamas extradition treaty entered into force in 1994. While the GCOB has been receptive to U.S. extradition requests, it often takes years for the Bahamian justice system to resolve such cases. Several narcotics-related extradition cases are currently pending. No drug related extraditions occurred in 1995.

The Bahamas and the U.S. have a number of agreements and arrangements to facilitate maritime counternarcotics operations. An exchange of notes permits The Bahamas to embark a Royal Bahamas Defense Force (RBDF) member on U.S. coast guard vessels to act as shipriders. The notes permit the U.S. vessels with these shipriders to enter Bahamian territorial seas to board, search, and, if evidence warrants, seize U.S., stateless, or third-nation vessels with the permission of the flag state; to enter Bahamian territorial seas to assist RBDF personnel in the enforcement of Bahamian drug laws; and to board, search and seize Bahamian vessels on the high seas suspected of drug trafficking. The Bahamas also has authorized U.S. Coast Guard aircraft to over-fly Bahamian territory. GCOB maritime cooperation with the U.S. has been excellent.

**Demand Reduction Programs.** The GCOB supports demand reduction programs, but budgetary constraints limit available funding. Such programs have concentrated on the principal cities of Nassau and Freeport but, with the support of a significant grant from UNDCP, they are slowly being extended to less populated islands by the government's National Drug Council. The USG provides assistance to the demand reduction activities of the National Drug Council and to several private sector demand reduction groups, but this assistance has been reduced in recent years. The number of new drug users appears to have declined notably since the mid-1980s, although a disturbingly high number of chronic cocaine addicts remains a serious problem, as does drug-related street crime.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The goals of USG assistance to and presence in The Bahamas are to dismantle trafficking organizations, stem the flow of drugs through The Bahamas to the U.S., and strengthen Bahamian drug



control and justice sector institutions. With the permission of the GCOB, U.S. law enforcement agencies operate in The Bahamas in close coordination with their Bahamian counterparts, especially in support of OPBAT. The USG has provided training, equipment and intelligence to support both joint efforts and unilateral GCOB enforcement initiatives.

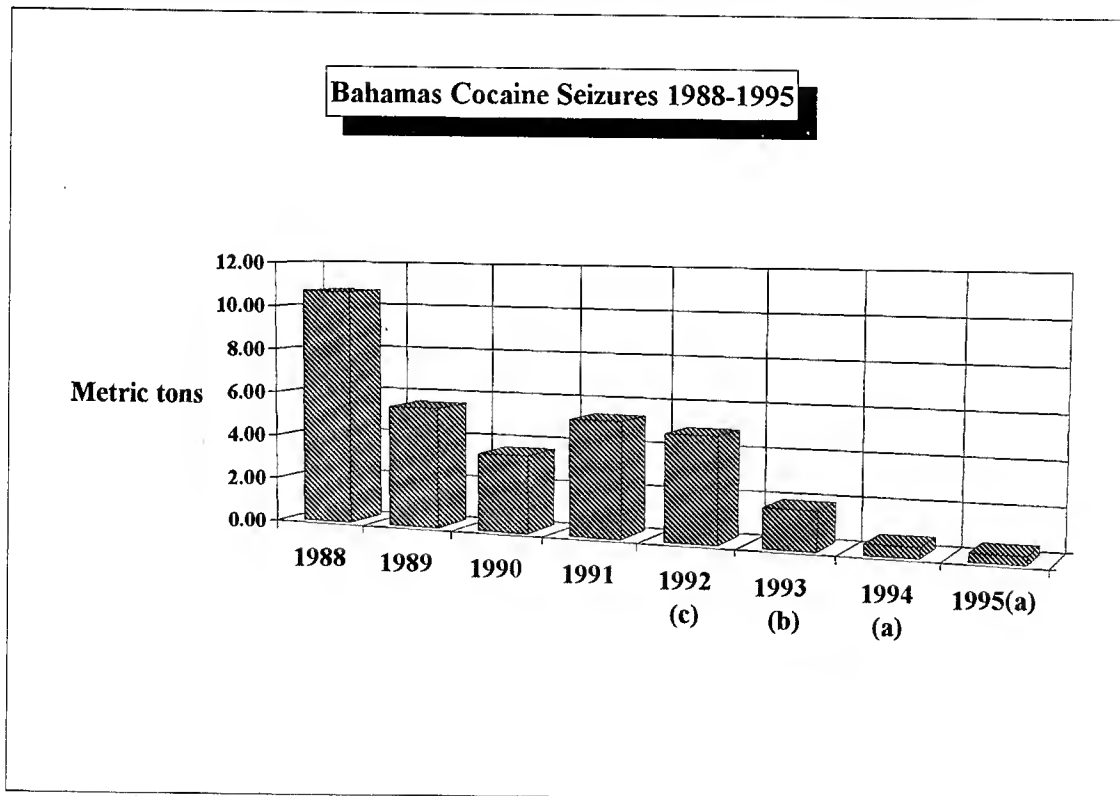
Under the authority of the asset-sharing provisions of the U.S.-Bahamas MLAT, in September 1995 the USG transferred to the GCOB \$342,215.94, a portion of funds forfeited in the U.S. in a trafficking case developed by U.S. law enforcement with considerable assistance from the RBPF.

**The Road Ahead.** Because of its location, The Bahamas will remain vulnerable to drug trafficking for the foreseeable future, despite strong Bahamian efforts to combat trafficking. The Bahamians have demonstrated their determination to cooperate fully with USG counternarcotics efforts. Because of the country's small population, archipelagic expansiveness, strategic role in the Caribbean community, and limited resources, the GCOB will continue to depend upon significant USG assistance to fight the international narcotics cartels. A key objective of U.S. counternarcotics assistance in The Bahamas, however, remains the strengthening of the country's counternarcotics institutions to allow the GCOB to assume a greater share of the burden of combating the traffickers. The USG will also encourage the GCOB to intensify its efforts to forfeit assets from traffickers, both as an effective means of punishment and to better enable funding of its own drug control activities. In coming years, the USG will continue to place special emphasis on the joint judicial enhancement program, designed to improve the efficiency and effectiveness with which drug-related cases are handled. The USG also will support and encourage GCOB efforts to combat narcotics-related corruption and further strengthen safeguards against money laundering. The GCOB's new money laundering legislation should significantly strengthen money laundering controls, provided that appropriate implementing regulations are enacted. We expect the GCOB to enforce this legislation vigorously, but it has only a limited capacity to conduct complex counternarcotics investigations. We plan to provide assistance to strengthen the GCOB's capabilities in this area.

## Statistical Tables

TABLES for CY		1995(a)	1994 (a)	1993 (b)	1992 (c)	1991	1990	1989	1988
<b>Seizures</b>									
Cocaine	[mt]	0.39	0.49	1.80	4.80	5.26	3.53	5.48	10.70
Heroin	[mt]	0.000	0.001						
Marijuana	[mt]	3.53	1.42	0.65	1.00	1.18	2.53	0.60	13.3
<b>Arrests</b>									
		1,565	1,025	1,023	1,135	1,085	1,443	1,255	.
<b>Consumption [d]</b>									
		negligible	negligible	negligible	negligible	negligible	negligible	negligible	

- (a) 1995 and 1994 seizures were in territory or vessels subject to Bahamian jurisdiction.  
 (b) Of the total cocaine seized in 1993, .65 mt was seized in Bahamian territory.  
 (c) In 1992, one seizure totalling .75 mt took place in international waters.  
 (d) Exact quantity unknown, but believed to be negligible due to small population.



2/24/96

## CUBA

### I. Summary

Cuba occupies a key geographic location astride primary air and maritime drug routes to the United States from South American drug-exporting countries. Given the absence of formal diplomatic relations with Cuba, the USG lacks first-hand knowledge of the narcotics situation there or of counter-drug efforts by Cuba's government. The Government of Cuba (GOC) routinely denies the existence of significant levels of drug consumption, narcotics-related corruption or organized crime in Cuba; however, in 1995, GOC officials chose to announce an increase in marijuana seizures. USG detection and monitoring and other counternarcotics programs in the region confirm that international drug traffickers continued to transit Cuban airspace and territorial waters to avoid detection and capture by USG or other law enforcement authorities in the Caribbean. The GOC's ability to interdict suspicious vessels or aircraft is said to be limited by shortages of fuel and spare parts. GOC officials arrested the notorious U.S. fugitive, Robert Vesco, but declined to extradite him to face drug charges in the U.S. Cuba is not a signatory to the 1988 U.N. Convention.

### II. Status of Country

During 1995, drug trafficking activity continued at a significant level. Cuban Deputy Customs Chief Pablo Ferrer stated in November that Cuban seizures for the first eight months of 1995 indicated that drug trafficking had "increased substantially." Cuban drug statistics are selective and not independently verifiable. Statistics in Cuba are considered a political tool and are released or suppressed as political policy dictates.

While U.S. experts do not believe that drug money laundering or chemical diversion are significant problems in Cuba at present, there is potential for both of these crimes to grow. A potential framework for money laundering has been created by the increasing level of tourism and foreign investment. Moreover, there is a lack of suspicious reporting requirements on the several foreign banks that have been established in Cuba. Cuban purchases of US-made material through third countries in violation of the U.S. trade embargo could facilitate both money laundering and chemical diversion. The Cuban penal code has no specific provisions regarding these activities.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** During 1995, Cuba undertook no new counternarcotics policy initiatives. Cuban officials continued to downplay drug consumption and trafficking by describing them as serious problems in other countries, but not in Cuba. During 1995, the government-controlled media published occasional accounts of drug possession in Cuba by foreigners, as well as statements by Cuban officials that foreign drug cartels occasionally used Cuba as a drop site for shipments to the U.S. While publicly favoring international coordination on counternarcotics efforts, Cuban officials explicitly declare that such cooperation must be limited by considerations of "national sovereignty" and "non-intervention."

**Accomplishments.** Cuba participated in several international counternarcotics fora in 1995 and hosted the United Nations' seventh annual Heads of Narcotics Law Enforcement Agencies (HONLEA) meeting in October. Cuban Minister of Justice Carlos Amat chaired the meeting. In November, Cuba hosted the 16th Latin American, Spanish and Portuguese Customs Directors Conference, at which the GOC outlined a plan for raising its customs standards and procedures. During 1995, Cuban customs officials participated in training from Canada, the United Kingdom, France and other European nations.

**Law Enforcement Efforts.** In June, Cuban authorities arrested U.S. fugitive Robert Vesco who is wanted on drug trafficking and fraud charges in the United States; however, after Fidel Castro declared it would be "immoral" to expel Vesco, the GOC refused to do so. The GOC made public statements on cocaine and marijuana seizures but published no statistics for drug-related incidents. Law enforcement efforts and techniques, as well as information on the resources dedicated to counternarcotics efforts, are generally treated as matters of state security.

**Corruption.** Cuba has issued no reports on drug-related corruption since the 1989 show trial and execution of top military and Ministry of the Interior officials for involvement in drug trafficking and corruption. Cuban officials insist they have no current evidence of drug-related corruption.

**Agreements and Treaties.** Cuba has no counternarcotics agreement or treaty with the U.S. The 1904 U.S./Cuba extradition treaty is not currently being implemented. Cuba has bilateral counternarcotics agreements with Russia and many other countries in the hemisphere, including Jamaica and the Bahamas. In October 1995, Cuba and Panama signed an anti-narcotics cooperation agreement.

**Drug Flow and Transit.** According to GOC reports, most drug transshipment events in 1995 occurred along Cuba's northern coast. Drug consumption appeared to increase somewhat over previous low levels. Cuban customs authorities reported small seizures of heroin, cocaine and marijuana reportedly destined for U.S. and European markets. In almost all cases, the shipments originated in Colombia.

**Cultivation/Production.** The USG has no information indicating that illicit narcotics are produced or cultivated in Cuba.

**Domestic Programs/Demand Reduction.** Despite GOC denials, there is anecdotal evidence of drug consumption in Cuba. One luxury hotel discotheque in Havana was closed for two weeks, reportedly due to drug consumption and trafficking on the premises. Drug consumption is also reportedly common at the Varadero Beach resort area. Since Cuba publicly denies it has domestic drug abuse problems, it has no publicized demand reduction programs. At the October HONLEA conference, Cuban Chief Delegate Zenaida Osorio declared that Cuba had drug abuse treatment and rehabilitation centers only "for foreigners."

#### **IV. U.S. Policy Initiatives and Programs**

**Bilateral Cooperation.** Information on suspect trafficker aircraft is relayed on an ad hoc basis via the U.S. Federal Aviation Administration to the Cuban Civil Aviation Authority through its Havana Air Traffic Control Center. The U.S. Coast Guard provides similar information on suspicious maritime vessels to Cuba's Border Guards.

**The Road Ahead.** As counternarcotics programs in Central America and the Caribbean become increasingly effective, narcotraffickers may intensify their abuse of Cuban air space and territorial waters. Cuba is not expected to accurately gauge the depth of the threat of narcotrafficking, nor is the GOC likely to unilaterally expand its efforts to combat it.

## DOMINICAN REPUBLIC

### I. Summary

The Dominican Republic is a transshipment area for cocaine and marijuana primarily because of its fragile political and economic situation and its location between the U.S. and the source countries of South America. Strong cooperation between the USG and the Government of the Dominican Republic (GODR) led to the seizure of more than 3.6 mt of cocaine and 3,399 drug-related arrests. Good local law enforcement and drug prevention programs reduced local drug consumption. In December 1995, the country's drug law was amended to criminalize money laundering and provide for asset seizure in criminal cases. Weaknesses in the justice system continue to hinder Dominican counter-drug efforts. The Dominican Republic is a party to the 1988 UN Convention.

### II. Status of Country

A largely unpatrolled coast, porous border with Haiti, and poorly paid and under-equipped law enforcement units make the Dominican Republic attractive to traffickers. Offshore airdrops continue to be the favored trafficking method; however, Dominicans and Colombians use both air and sea routes to smuggle cocaine into the country for transshipment to the U.S. Domestic trafficking organizations are securely linked to criminal elements in New York, Florida and Puerto Rico.

Small boats are under no obligation to report departure and re-entry to the country, a condition that lends itself to drug smuggling and money laundering activities. Money laundering appears to be increasing.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** Despite the absence of a comprehensive long-term master plan, the GODR remains deeply committed to the war against narcotics trafficking and consumption. In 1995 it allocated \$3.7 million to counternarcotics activities, including \$2.6 million to the National Drug Control Directorate (DNCD) for interdiction, \$762,000 to the National Drug Council (CND) for demand reduction, and \$360,000 to the Department of Public Health and the Department of Education for rehabilitation. In December 1995, the GODR amended the 1988 drug law, thereby criminalizing money laundering and permitting the seizure of assets in criminal cases.

**Accomplishments.** A dramatic increase in cocaine seizures in spite of limited resources demonstrates the GODR's aggressive pursuit of traffickers. In 1995 over 3.6 mt of cocaine were seized; however, marijuana seizures appeared to be dramatically lower than the 6.8 mt seized in 1994. In March 1995, the USG and GODR signed a maritime counternarcotics agreement.

**Law Enforcement Efforts.** The GODR's principal counternarcotics agency, the National Drug Control Directorate (DNCD), has fully cooperated with USG agencies on information-sharing, joint operations, and special investigative operations which target major international narcotics traffickers. The Joint Information Coordinating Center (JICC), established in 1985, continues to be a model center.

The judicial system is outdated, ineffective and corrupt. Dominican law enforcement attempts to convict drug traffickers and seize assets are often undermined by long delays, poor preparation by prosecutors and release of suspects. Corruption appears to have played a role in the dismissal of some trafficking cases and the premature release of convicted narcotics traffickers. Hundreds of Dominican traffickers, charged with narcotics offenses committed in the U.S., have returned to the DR. The GODR has not extradited any of these fugitives from U.S. justice.

The DNCD and the Ministry of Public Health and Social Services enforce the chemical control section of the Drug and Substance Control Law through export and import recording or use. Control of chemicals is strict and, while there is no formal bilateral agreement with the USG, cooperation is good. The GODR is a party to the 1988 UN Convention and was a signatory of the Program of Action of Ixtapa, both of which obligate it to pursue chemical controls.

**Money Laundering.** The exact nature and extent of drug-money laundering is unclear, but there are indicators of a serious problem. Significant amounts of money (U.S. dollars) are sent from the Dominican Republic to the U.S., more than is generated by legitimate industry in the Dominican Republic. However, weak laws and regulations make it difficult to differentiate between the proceeds of narcotics sales and other monies. Although the proposed money laundering law would provide some means to counter illegal efforts to launder money, GODR financial investigation units currently lack the necessary training to enforce its provisions.

**Corruption.** The GODR does not as a matter of policy encourage or facilitate illicit drug production or trafficking, or the laundering of illicit proceeds therefrom, but official corruption is endemic. A USG policy to link denial of visas to drug-related corruption had some effect. Nevertheless, the GODR has yet to act forcefully to identify and eliminate official corruption.

**Agreements and Treaties.** In 1993, the Dominican Republic acceded to the 1988 UN Convention and the 1972 Protocol to the 1961 Single Convention. The GODR's efforts in law enforcement, especially its cooperation with USG agencies and its information collection and sharing via its well-managed Joint Information Coordination Center (JICC), control of precursor and essential chemicals, drug abuse prevention and education, and its allocation of financial resources to drug control efforts, are consistent with the goals and objectives of the 1988 UN Convention. More action is needed, however, in areas such as money laundering, asset forfeiture, and corruption.

The GODR's accession to the 1988 UN Convention and the 1972 Protocol incorporated drug crimes into its bilateral extradition treaties. The GODR has not recently extradited its own citizens to other countries in exceptional cases in the past. However, the GODR provides excellent cooperation in deporting U.S. and third-country nationals who are fugitives from U.S. justice. In 1994, twelve fugitives were deported upon request of the USG. Bartolome Moya, one of the USG's most wanted drug fugitives, was returned voluntarily in November.

used for counternarcotics training, law enforcement-related equipment, and demand reduction programs. The GODR participates informally in monthly regional law enforcement meetings convened by the U.S. Coast Guard's greater Antilles section (GANTSEC) based in San Juan, Puerto Rico.

The USG/GODR extradition treaty of 1909 does not list narcotics-related crimes as extraditable offenses; however the GODR's accession to the 1988 UN Convention provides the basis for incorporating drug-related crimes into the existing bilateral extradition treaty. The GODR cooperates with USG requests for extradition of non-Dominicans, but, like many countries, the GODR does not extradite its own nationals, a condition that has in effect provided safe haven to many fugitives from U.S. law enforcement. Negotiation of a new extradition treaty was begun in late 1995.

**Cultivation/Production.** With the exception of minimal cultivation of cannabis for domestic consumption, the Dominican Republic does not cultivate or produce illicit narcotics. Existing laws ban the cultivation, production, distribution, sale, and possession of narcotics.

**Drug Flow/Transit.** With a coast line of more than 1000 miles, a 193-mile common border with Haiti, and its location between Colombia and the U.S., the Dominican Republic is a convenient staging area for onward movement of drug shipments from South America. The lack of consistent and honest customs and police controls at some international airports contributes to the trafficking problem. The army, charged with controlling the border with Haiti, had little success in interdicting drugs and other contraband. Although the use of clandestine airstrips has been practically eliminated, off-shore air drops along the southern coast and in the Mona Channel between Puerto Rico and the Dominican Republic have continued despite heightened enforcement activity.

**Domestic Programs/Demand Reduction.** With USG support, the National Drug Council (CND) and PROPUID, the demand reduction arm of the DNCD, operate successful drug abuse prevention and education programs, which enjoy enthusiastic support from senior GODR officials and the public. The private sector has joined with the Department of Public Health and the Department of Education in focusing greater attention on the treatment and rehabilitation of addicts. The European Union recently agreed to provide the GODR with \$250,000 to fight the war against drugs, much of which will be devoted to demand reduction. The GODR and the USG continue to team up with major league baseball to implement a baseball-based drug prevention program in Dominican high schools. The Dominicans have pledged to provide the bulk of financial support for this program in 1996.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** Primary USG goals are to help the GODR strengthen its democratic and law enforcement institutions, improve the administration of justice, and curb the flow of illegal drugs through the Dominican Republic.



**Bilateral Cooperation.** In 1995, USG assistance was focused on strengthening Dominican counternarcotics efforts through training and improving communication between GODR and U.S. counternarcotics agencies. Military assistance to the Dominican Republic was directed toward training and maintaining air force and naval units that were most critical for drug interdiction. Steady increases in seizures and drug-related arrests testify to the success of that approach.

**Road Ahead.** The GODR and USG will continue to strengthen drug control cooperation efforts through increased sharing of information and closer working relations among principal agencies. Judicial reform, implementation of the GODR money laundering law, enforcement of the maritime agreement, and support for DNCD's Special Investigation Teams will also be the focus of USG assistance. The USG should encourage the government which will be elected in May 1996 to strengthen the DNCD and continue its commitment to curb corruption, especially as it relates to the prosecution of narcotraffickers. The USG should also actively pursue the signing and ratification of a new bilateral extradition treaty.

## GUYANA

### I. Summary

Marijuana is grown year-round in Guyana's hot, wet, heavily forested and sparsely populated interior, especially along the many rivers and streams. The country's location on the north Atlantic coast of South America makes it a likely way-station for cocaine en route to the U.S. and Europe. Police have no evidence of cocaine, hashish, heroin, or opium production in Guyana or coca cultivation. The police and military destroy some cannabis fields and occasionally seize marijuana or cocaine at the country's only international airport, where five trained drug detection dogs are in use, or at other locations. Although Guyana became a party to the 1988 UN Convention in 1993, the Government of Guyana (GOG) still has not adopted implementing legislation. Guyanese counternarcotics forces are too poorly trained and equipped to be effective.

### II. Status of Country

Cocaine enters Guyana from its three neighboring countries: Venezuela, Brazil, and Suriname. Cannabis is grown along creeks and in riverine areas and transported along waterways and roads for air or maritime export. Dozens of small airfields are scattered throughout Guyana, many in areas almost inaccessible by surface, which could allow light aircraft to ferry drugs into and out of the country with little chance of police interception.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives/Accomplishments.** Guyana ratified the 1988 UN Convention in 1993, but made little progress during 1995 to adopt the necessary implementing legislation. Guyana has a law allowing courts to seize assets used in illegal drug activities or purchased with the proceeds from illegal drug activities. But, no assets have been seized. Guyana has no laws governing money laundering. Guyana has requested assistance in drafting money laundering and other legislation, and the Minister of Home Affairs attended the Buenos Aires Money Laundering Ministerial.

Extradition is covered under a treaty dating from the time the country was a British Colony, but it is infrequently used. The GOC has no national drug control strategy. The Ministry of Health and the Police Drug Enforcement Unit conduct narcotics awareness programs at schools. UNDCP also finances a drug-use reduction program in Guyana.

**Law Enforcement Efforts.** GOG efforts to fight production of marijuana and shipment of cocaine are hampered by lack of resources. The Guyana Police Force (GPF) created a 12-man drug enforcement unit in 1975. By 1994, the unit consisted of 31 persons all of whom were transferred to other functions when the unit was found to have been involved in an alien smuggling ring. The year 1995 was one of rebuilding for the Drug Enforcement Unit.

The Guyana Defense Force (GDF) is supposed to conduct joint operations with the GPF, but the GDF's only two helicopters were inoperative for most of 1995. The GPF has no aircraft. Nevertheless during 1995, police reported 100 hectares of cannabis destroyed in the field and a total of 10.9 mt of marijuana destroyed in Guyana. Roughly 2.5 mt were seized when a container destined for Miami was discovered to hold plastic-wrapped marijuana behind false panels. The police reported 51.1 kgs of cocaine seized in 1995.

By comparison, for 1994 police reported 57 hectares of cannabis destroyed in the field, 54.8 mt of marijuana destroyed, and 76 kg of cocaine seized. The smaller amount of cocaine seized in 1995 compared with 1994 does not necessarily indicate a decrease in the amount of drugs transiting the country. It may be the result of more sophisticated techniques and coordination on the part of drug smugglers or an insufficient drug enforcement unit, or both. Police estimates of field destruction of cannabis are subjective and based on an individual perception of the number of plants, their size and spacing.

In 1995, police handled 359 marijuana cases, charging 463 persons of whom 62 were convicted, and 198 cocaine cases, charging 218 persons of whom 93 were convicted. In February 1996, the police stated that a number of cases were still pending in the courts from 1995. One of the problems plaguing the criminal justice system in general, and affecting the rate of drug-related convictions as well, is the use of police prosecutors. These policemen with minimal training are not attorneys and yet must deal with professional defense lawyers as adversaries. Only some narcotics cases are prosecuted by attorneys from the Office of the Director of Public Prosecutions.

**Corruption.** Official concern lead to the creation in 1995 of the Customs Anti-Narcotics Unit (CANU). This elite 12-person unit reports directly to the head of the Presidential Secretariat in the Office of the President. Though still not fully operational, the CANU has already developed cooperative relations with U.S. law enforcement. The USG is working with the CANU on a training agenda.

**Money Laundering.** Police suspect that some laundering of drug money may take place in Guyana, but no hard evidence exists. Information recently uncovered by a cooperative U.S.-Guyanese effort points to the possibility that bogus export deals may be used as a cover for money-laundering purposes, though a direct link to drug money has not been established. The U.S. and Guyana signed a Tax Information Exchange Agreement (TIEA) in August 1992, which could facilitate cooperation on money laundering.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The central USG objective is to support GOG efforts to adopt the full range of legislation required to implement the 1988 UN Convention and then to help the GOG build its counternarcotics infrastructure. To that end, the USG seeks to improve the capability of the GPF and GDF to intercept cocaine passing through Guyana and to locate and destroy marijuana grown in Guyana.

**Programs.** Under a Letter of Agreement, the USG provides training and equipment for police and military personnel for use in the struggle against illegal drugs. In 1995, software difficulties plagued the operation of the Joint Information Coordination Center (JICC), created with U.S. assistance. A new software issue of the basic data base program should address this problem. Control and reporting responsibilities for the JICC were transferred from the Ministry of Home Affairs to the Office of the President in 1995. The JICC coordinates the counternarcotics intelligence efforts of the GPF, GDF and Customs. The USG funded training and conference travel for GDF, GPF, and Guyanese Customs officials and a Ministerial Delegation to the U.S. The U.S. Marine Corps and Coast Guard jointly conducted a Riverine Tactics Seminar for 32 GDF, GPF and Customs personnel.

The narcotics detector dog program in Guyana consists of five dogs, three of which were provided by the U.S. and two by the UK. The dogs, stationed at the airport, have only intermittently been employed to inspect air cargo, due to severe health and maintenance problems. The program continues under close scrutiny and remedial measures are being taken, including USG-funded provision of attentive veterinary care. The GOG generally fulfills its obligations under its Letter of Agreement with the USG, with the exception of adequate oversight of the detector dog program.

**Road Ahead.** Authorities expect the amount of cocaine shipped through Guyana to increase as narcotics traffickers continue to develop routes around drug interdiction efforts in the Caribbean and South America. The USG will press the GOG to adopt needed narcotics control legislation and, to the extent resources are available, assist in strengthening narcotics enforcement and judicial institutions. The USG will also monitor and support the detector dog program, including provision of administrative training. We will continue to urge that the dogs be used on planes at the airport in addition to baggage checking. We shall also urge that they be used at the Georgetown maritime port.

## HAITI

### I. Summary

In 1995, Haiti's resources were focused on the task of restoring democratic rule after three years of oppression by a corrupt de facto regime. The Government of Haiti (GOH) demobilized the Haitian army and began fielding a new civilian Haitian National Police (HNP). Without the foundation of a fully deployed HNP, at the end of the year a proposed anti-drug squad, coast guard, and other special law enforcement units existed only on paper. The GOH did not appoint directors or provide the basic staffing needed to begin organizing these critical law enforcement units. In 1995, Haiti became a party to the UN Convention, and it entered bilateral agreements with the U.S. for the formation of the civilian police, coast guard, and anti-narcotics unit.

### II. Status of Country

Haiti's geography offers traffickers an attractive venue for drug transshipment. Located between the source countries of South America and the U.S., Haiti has numerous uncontrolled airstrips and ports of entry, an unpatrolled coastline, and a mountainous terrain that is difficult to access. The country's weak law enforcement capabilities create additional vulnerability. In 1995, the judicial system was plagued by incompetence, corruption and lack of resources, despite efforts by the GOH and the international community to strengthen it by providing refresher training and mentoring.

Even when fully fielded, the 5,000-person HNP will be very thin on the ground and lack the experience that is needed for effective law enforcement. The GOH requested, and interested governments have agreed in principle to, extending the UN peacekeeping mission in Haiti. This continuing police presence will provide several hundred highly professional field training officers to serve as role models and mentors to newly deployed HNP personnel. The UN Mission will also advise the GOH on additional or corrective training that might be required and means to improve police operations and administration.

Although the GOH showed the will to cooperate, its lack of institutional experience undermined its effectiveness. An example is the case of the 'La Familia,' a Haitian-flag vessel on which the U.S. Coast Guard discovered 840 KG of cocaine. GOH unfamiliarity with the procedures governing such actions led to needless indecision and delay, although eventually the GOH permitted U.S. authorities to assume jurisdiction over the vessel.

Cocaine seizures by GOH authorities exceeded 550 kg, most of them at the airport in small amounts concealed on passengers attempting to board aircraft. The largest seizure was 284 kg of cocaine seized by the HNP from a vessel in the port of Port au Prince in December. Joint operations with the DEA were difficult given the undetermined future of Haiti's only functioning counterdrug unit, the Combined Information and Coordination Center (CICC), a hold-over from the de facto regime.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** The legitimate government that was restored in October 1994 had to deal with a staggering array of issues on all fronts after three years of illegal de facto rule and economic sanctions. The energies of the GOH were largely absorbed with the task of establishing a new police force and, as a result, were kept from taking significant action on counternarcotics. On the positive side, the GOH became a party to the 1988 UN Convention, participated in money laundering conferences, began drafting money laundering legislation, and signed agreements with the USG regarding the HNP generally and counternarcotics assistance specifically. Recognizing the importance of maritime law enforcement, including counter-drug operations, the GOH requested \$1.1 million in reprogramed U.S. military assistance funds to start a 40-person coast guard. The GOH has signed a letter of agreement for the purchase of four 25-foot boats that will serve as the nucleus for the coast guard.

**Accomplishments.** During 1995, one American citizen was deported from Haiti on longstanding US drug charges. Three other USG requests for extradition of drug-related fugitives were being processed at the end of the year. The Haitian constitution prohibits extradition of Haitian citizens.

DEA cooperation with the GOH on information-sharing and joint operations has been difficult owing to the undetermined disposition of Haiti's existing counternarcotics units, the National Narcotics Service (SNN) and the Combined Information and Coordination Center (CICC). Both were part of the army and subsequently were incorporated into the Interim Public Security Force. Their counter-drug responsibilities are slated to be transferred to the Ministry of Justice, but by the end of the year the HNP had made little progress in organizing its counternarcotics unit or naming a director.

**Law Enforcement Efforts.** Law enforcement institutions were in the process of restructuring in 1995. Formerly, law enforcement and public security were the responsibility of the FADH (Forces Armees d'Haiti), which included the police, SNN, CICC, and intelligence functions. The FADH comprised some 6-7,000 members and was augmented by thousands of civilian "attaches" who used their unpaid positions to exact extortion. As the FADH was demobilized, an Interim Public Security Force (IPSF), composed in large part of ex-FADH members, temporarily took over law enforcement duties. The IPSF was progressively demobilized as newly trained HNP units assumed responsibility. In December 1995, the IPSF was abolished, and its remnants, including 600 ex-FADH, were incorporated into the HNP. Following intensive US-GOH consultations regarding the latter's decision to assimilate this group in the HNP, the Haitian Government agreed to vet these individuals to ensure that no one with links to corruption, drug trafficking or human rights violations be allowed to enter the HNP.

The present counternarcotics capacity of Haitian authorities is extremely limited. At the end of the year, the new counternarcotics unit, like many HNP components, still existed only on paper. The HNP leadership is

comprised of ex-FADH officers, attorneys and other civilian appointees. Many key HNP positions, like the leadership of the counter-drug unit, remain vacant. The SNN and the CICC were merged, but their future was unclear. The SNN scarcely functions, and the CICC, which operates primarily at the Port au Prince airport, makes modest seizures. The unit's Joint Information Coordinating Center (JICC) has been disconnected from the El Paso Intelligence Center since 1992. Finally, Haiti does not have a current counternarcotics plan.

**Corruption.** Haiti does not, as a matter of government policy, encourage or facilitate the production or distribution of controlled substances, or the laundering of proceeds from illegal drug transactions. The mayor of Port au Prince has publicly accused certain national government officials of corruption and declared that he could not work with the newly appointed acting HNP director general. Although Haitian law permits prosecution of corrupt officials, the USG is not aware of any recent case in which senior GOH officials have been fired, arrested, or charged with corruption. Prime Minister Werleigh announced an anti-corruption campaign as part of her basic program; however, as a practical matter, the GOH capacity to enforce an effective anti-corruption campaign remains very weak.

At least one working-level official has been arrested recently for ordering the release of persons detained in connection with drug offenses; it is not clear whether corruption prompted the release. In another case involving possible corruption, a prosecutor in Jacmel ordered the arrest of a ship's owner and crew who had alerted the authorities to drugs aboard the ship. When the deputy prosecutor ordered the release of the owner and crew, the prosecutor had the deputy arrested, too.

**Agreements and Treaties.** In September 1995, Haiti acceded to the 1988 UN Convention. Under an agreement signed in November, USG is providing training and equipment for the HNP valued at over \$50 million over the life of the program. The GOH and USG also signed an agreement to re-program \$409,000 for counternarcotics training and equipment. In December, the Minister of Justice signed a letter of offer and acceptance to purchase four 25-foot boats; he also pledged to assign 40 personnel to the Haitian coast guard.

**Cultivation/Production.** Haiti does not cultivate or produce illicit narcotics. Haitian law prohibits cultivation, production, distribution, sale, and possession of narcotics.

**Drug Flow/Transit.** In accordance with existing law, Haitian authorities make occasional seizures and arrests. The country appeals to traffickers as a transit point to move drugs from Colombia to the U.S. because of Haiti's many remote areas, uncontrolled ports and border, lack of law enforcement capacity, and the prevalence of corruption and impunity that has traditionally characterized Haitian officialdom.

**Domestic Programs/Demand Reduction.** The CICC publishes "Drogue Info" magazine intermittently to publicize the dangers of drug abuse and trumpet seizures and other counternarcotics activities. APAAC (Association for the Prevention of Alcoholism and other Chemical Addictions) is an NGO that provides rehabilitation services to a minimal number of addicts. APAAC conducted demand reduction programs until its USAID funding ended mid-1995.

#### **IV. U.S. Policy Initiatives and Programs**

**U.S Policy Initiatives.** USG goals for 1996 are to work with the GOH to conclude a maritime law enforcement agreement, enact money laundering and asset forfeiture legislation, and establish an antinarcotics unit and a coast guard in the HNP. In 1997 our goals will include helping the GOH establish an autonomous national counternarcotics authority to oversee all aspects of the fight against drugs.

**Bilateral Cooperation.** The GOH has declined to take action on a prospective maritime law enforcement agreement, thus compelling the USG to seek arduous and inefficient case-by-case authorization in order to take enforcement action on Haitian-flagged vessels on the high seas. In December 1995, during a consensual boarding of the Haitian-flag vessel 'La Familia', the US Coast Guard found 807 kg of cocaine. After 24 hours -- an inordinately long time -- the GOH authorized the USG to take jurisdiction, only to rescind it the following day. After a week of intensive negotiations on what should have been a routine case, the GOH finally ceded jurisdiction.

**Road Ahead.** The USG will continue to press the GOH to move forward with establishment of the HNP antinarcotics unit and coast guard, a maritime law enforcement agreement, money laundering legislation and a national counternarcotics plan.



## JAMAICA

### I. Summary

Cocaine seized in Jamaica during 1995 was triple that seized in 1994, both reconfirming Jamaica's status as a significant cocaine transit country and indicating positive developments in law enforcement effectiveness. Jamaica remains an important marijuana producer with harvestable cultivation approximately the same in 1995 as in 1994. Neither money laundering nor production or movement of essential and precursor chemicals appears to be significant in Jamaica.

During 1995 the Government of Jamaica (GOJ) passed a mutual legal assistance treaty (MLAT) enabling act and completed all internal procedures to enable ratification of the U.S.-Jamaica MLAT. The GOJ also presented to parliament a money laundering bill, which parliament is now considering, and drafted a precursor chemical control bill. Finally, in December 1995, the GOJ acceded to the 1988 UN Convention, making Jamaica the last major country in the Western Hemisphere to become a party to the Convention. During 1995, the GOJ undertook actions to meet the objectives of the 1988 UN Convention and the U.S.-Jamaican bilateral counternarcotics agreement. With U.S. assistance, the GOJ eradicated about the same number of hectares of cannabis as the previous year. However, the GOJ seized triple the amount of cocaine as in 1994 and a large amount of processed marijuana. According to DEA, Jamaican counternarcotics activities and law enforcement cooperation are at the highest levels in five years. In 1995, Jamaica remained a highly active partner with the U.S. in both deportations and extraditions. The GOJ began negotiations with the USG on a maritime counternarcotics cooperation agreement. Jamaica's National Council on Drug Abuse intensified its demand reduction efforts.

The GOJ needs to complete its counterdrug legislation and, most importantly, to implement it fully. The GOJ passed an asset forfeiture act in 1994 but has yet to prosecute an asset forfeiture case. Although Jamaica's drug arrest record is good, the lack of prompt prosecution and conviction indicates a need for improvement of its judicial system. With U.S. assistance, the GOJ is procuring a tamper-resistant passport system, which should help reduce the number of Jamaicans successfully entering the U.S. with fraudulent documents. The GOJ also needs to take actions to counteract drug smuggling in export shipments, a problem that undermines Jamaica's legitimate economic activity. Successful conclusion of ongoing negotiations on a U.S.-Jamaica maritime counternarcotics cooperation agreement will help control trafficking through Jamaican waters. Drug-related corruption continues to hamper GOJ drug control efforts, in recognition of which the police commissioner organized an internal oversight and investigatory arm, a positive action to rid the police of corruption and politics and a good step in addressing a problem of concern to the USG.

## **II. Status of Country**

Kilograms of cocaine seized during 1995 (571 kg) tripled from 1994 (179 kg), reconfirming Jamaica's status as a significant cocaine transit country.

Jamaica remains an important marijuana producer with harvestable cultivation (estimated hectares under cultivation minus hectares eradicated) approximately the same in 1995 (695 hectares) as in 1994 (692 hectares). Neither money laundering nor the production or movement of essential and precursor chemicals appear to be significant in Jamaica.

## **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Following its 1994 passage of an asset forfeiture act, the GOJ continued its legislative counterdrug efforts during 1995, culminating in ratification of the U.S.-Jamaica MLAT and deposit of its instrument of accession to the 1988 UN Convention. The National Council on Drug Abuse (NCDA), in conjunction with the UNDCP, developed a five-year national drug strategy and plans to implement it in early 1996.

During 1995 the GOJ also undertook a number of regional and local initiatives, including a GOJ-hosted asset seizure/money laundering seminar in April, and a GOJ agreement with the UNDCP to build and operate a regional drug training center at the Jamaica Police Academy, with classes scheduled to start in September 1996. In September 1995, the GOJ conducted a seminar for prosecutors, judges, and investigators on precursor chemical controls. U.S., Canadian, and UK representatives spoke at the April seminar on money laundering as well as the September precursor chemical seminar.

In a September meeting in which President Clinton and Jamaica's Prime Minister discussed, among other issues, Jamaica's fight against drug trafficking and ways of improving bilateral cooperation, the President pledged additional assistance for Jamaica's eradication and interdiction efforts.

**Accomplishments.** During 1995, the GOJ undertook actions to meet the objectives in the eleven key areas addressed in the 1988 UN Convention, as follows. Its 1995 cannabis eradication program satisfied the objective of reducing illicit cultivation and production. The 1995 seizures of processed marijuana and record interdiction of cocaine counteracted the distribution, sale, and transport of drugs. Presentation to parliament of a money laundering bill, which parliament is now considering, was a step toward thwarting the financing and money laundering connected with illicit drugs. The GOJ enacted an assets forfeiture law in 1994 and ratified the U.S.-Jamaica MLAT in 1995. The U.S. Department of Justice again cited Jamaica as one of its most active partners in the region in extradition cases. The GOJ cooperated on returning five alleged drug traffickers to the U.S. for prosecution, while the U.S. deported 891 criminals to Jamaica during fiscal year 1995. Jamaican law enforcement counternarcotics activities and cooperation with DEA are at the highest levels in five years. A bilateral maritime agreement is under negotiation. The GOJ drafted a precursor chemical control bill. The NCDA intensified its demand reduction efforts by fully implementing the UNDCP-financed integrated demand reduction project, reportedly to the latter's satisfaction. Finally, the GOJ forwarded its instrument of accession to the 1988 UN Convention to the UN.

**Law Enforcement Efforts.** Cocaine seizures by the Jamaica Constabulary Force (JCF) increased during 1995, totalling 571 kg in 1995, compared to seizures of 179 kg in 1994. Marijuana seizures continued at a high pace (37.2 metric tons in 1995, 46 metric tons in 1994). The GOJ eradicated about the same amount of cannabis in 1995 (695 hectares) as in 1994 (692 hectares). The JDF and the JCF strongly supported DEA's initiative which brought four U.S. C-60 Blackhawk helicopters to Jamaica for an intensive combined eradication operation totalling 100 flying hours.

Reported drug arrests through October 1995 totaled 3,325 Jamaicans and 380 foreigners, up considerably from 1994 arrests of 788 Jamaicans and 98 foreigners. The Jamaica Joint Information Coordination Center (JICC) remains among the most active Caribbean centers reporting to DEA's El Paso Information Center (EPIC). Cooperation between the JCF narcotics division and DEA's Kingston country office remains high. This effective cooperation resulted in the DEA-directed arrest of 86 major drug traffickers in 1995, versus 40 in 1994.

The JCF fully supported another DEA initiative, Operation Prop Lock. This on-going operation seizes suspected trafficking aircraft of U.S. registry, returns the aircraft to U.S. control if warranted, and prosecutes the owners. During 1995, the JCF seized 12 aircraft, eight of which DEA returned to the U.S. for forfeiture proceedings, six of which have been forfeited and the proceeds placed in the U.S. assets fund. Operation Prop Lock demonstrates extensive Jamaican cooperation with U.S. law enforcement personnel.

The JDF Coast Guard made its biggest drug seizure in history by capturing two vessels, nine suspects, and 1,600 pounds of marijuana in a single July haul. This year also marked the first training of the JDF Coast Guard by the U.S. Coast Guard since 1992.

Jamaica's arrest record, as detailed above, is commendable; the problem lies in lack of prompt prosecution and conviction. For this reason, the USG is providing increased assistance in the area of judicial reform to improve the flow of drug cases through Jamaica's court system and obtain more convictions. The GOJ has not yet implemented its asset forfeiture act, passed in 1994, but has stated its intent to do so soon.

**Corruption.** No senior GOJ official has been formally charged under the Dangerous Drugs Act, as amended, with engaging in or facilitating the production or distribution of illicit drugs or substances, or the laundering of proceeds from illegal drug transactions. Recognizing problems of drug-related corruption within the police force, however, the Police Commissioner organized an internal oversight and investigatory arm, a positive action to rid the police of corruption and politics. This was a good step in addressing a problem of concern to the USG.

A noteworthy arrest was that of a son of a prominent Jamaican official for attempting to export 45 kilos of marijuana to the U.S. in sealed pineapple juice cans. The son was found guilty and sentenced in 1995. The case is currently being appealed. In 1995 a resident magistrate handed down a landmark sentence, in terms of its severity, to a convicted drug trafficker. The man, a north coast businessman, received a large fine and is serving a sentence of four years at hard labor.

**Agreements and Treaties.** In 1995, the GOJ passed a Mutual Legal Assistance Treaty (MLAT) enabling act and ratified the 1989 U.S.-Jamaica MLAT. The GOJ tabled its money laundering bill in parliament in December 1995 and prepared a precursor chemical control bill in support of the objectives of the 1988 UN Convention, culminating in the GOJ depositing its instrument of accession to the Convention with the UN as the year ended. The U.S. has a bilateral counternarcotics agreement with the GOJ, which is amended at least annually, as well as a 1991 extradition treaty. Another bilateral agreement, on maritime counternarcotics cooperation, is currently under negotiation.

**Cultivation and Production.** Jamaica's climate, soil, and rainfall are ideal for the cultivation of cannabis, or "ganja." Usually grown on small plots or between the rows of a legitimate crop (to make discovery by the JDF helicopters searching for it more difficult), cannabis offers more profit to the farmer than any other local crop. The most commonly grown varieties are indica and sinsemilla, four to six crops of which can be grown each year.

One alternative development program, to encourage farmers to choose legitimate crops over cannabis, was a European Union-financed project in St. Ann's parish. Three thousand farmers, many of them new to farming, were financially assisted in growing yams, carrots, lettuce, field peas, and other alternate crops. As a necessary adjunct to its alternative development program, in 1995 the GOJ continued its cannabis eradication operations, eradicating 695 hectares country-wide during 1995, compared to 692 hectares in 1994. The GOJ opposes aerial or platform spraying of cannabis for environmental and political reasons.

**Drug Flow and Transit.** Cannabis is illicitly grown throughout Jamaica. Tourists and Jamaicans buy small quantities of the drug from "higglers." Larger amounts of marijuana enter the U.S. and other markets hidden in agricultural products, apparel, and other export shipments. Cocaine from Colombia travels the same network as ganja, smuggled by tourists and Jamaicans. Individuals known as "mules" attempt to smuggle drugs out of Jamaica to lucrative markets in the U.S., Canada, and Europe.

The size and frequency of cocaine seizures and the total--571 kg in 1995, compared to 179 kg in 1994--indicate increasingly effective interdiction efforts and perhaps increased cocaine trafficking. Heroin shipments and seizures appear small and infrequent. Only four kg of heroin have been seized since at least 1990.

**Demand Reduction.** The nation's lead governmental organization for demand reduction, the NCDA, continues its "integrated demand reduction" program in conjunction with the UNDCP. This program attempts to improve community life and economy throughout Jamaica, hopefully removing some of the causes of drug use. The USG monitors the effectiveness of this grass-roots program while initiating several demand reduction projects of its own through local non-governmental organizations (NGOs).

#### IV. U.S. Policy Initiatives and Programs

**Policy Initiatives.** In order to improve the handling of drug cases in the Jamaican courts, the USG assisted the Ministry of National Security and Justice in a judicial reform project, the jurisprudence data base, the end product of which is a compendium of Jamaican laws, statutes, and decisions available to the courts on CD-ROM.

A 1995 U.S. Military Information Support Team (MIST), deployed in Jamaica for 30 days, spearheaded efforts of several demand reduction NGOs, as well as the NCDA. Using MIST funding, the NGOs produced student stickers, posters, television and radio spot announcements to spread the counterdrug message to school children as well as the public.

Another 1995 initiative, this one in the international crime area, assists the GOJ in procuring a new, tamper-resistant passport system. By improving the integrity of the Jamaican passport, the U.S. also benefits from a smaller number of Jamaicans successfully entering the U.S. with fraudulent documents. A significant number of Jamaicans traveling overseas with fraudulent documents are involved in criminal activities, including drug trafficking.

**Bilateral Cooperation.** In 1995, Jamaica fulfilled the objectives of the U.S.-Jamaican counternarcotics agreement and remained a highly active partner with the U.S. in both deportations and extraditions. GOJ counterdrug agencies cooperated fully with U.S. agencies. With U.S. assistance, in 1995 the GOJ eradicated 695 hectares of cannabis, about the same amount eradicated in 1994.

**Road Ahead.** The USG will encourage the GOJ to complete its counternarcotics legislation and fully implement it--the key to effecting real counternarcotics achievements in the law enforcement area. More USG assistance will be targeted on improving the Jamaican judicial system, the objective being to improve the prosecution process to increase the number of convictions and begin asset forfeitures. To that end, plans are under way to invite U.S. Department of Justice instructors to conduct training seminars for Jamaican prosecutors. The USG will continue to work with the GOJ to identify additional areas within the Jamaican judicial system where materiel and technical assistance would help achieve the objective of increased convictions. To counteract drug smuggling in export shipments, the USG plans a Jamaican port assessment by GOJ officers in conjunction with the U.S. Customs Service which will present contraband enforcement team instruction in Jamaica in March 1996. The USG will also continue working with the GOJ on the passport project. Pending completion of negotiations on a bilateral maritime counternarcotics cooperation agreement, the USG may also further assist in strengthening the Jamaican coast guard.

More monitoring and reporting will be required as the regional law enforcement center is built and curricula and faculty are readied for classes commencing in September 1996. This joint GOJ-UNDCP project received a \$750,000 contribution from the USG for construction.

## Statistical Tables

## TABLES for CY

1995 1994 1993 1992 1991 1990

## CANNABIS

Harvestable Cultivation	[ha]	305	308	744	389	950	1,220
Eradication	[ha]	695	692	456	811	833	1,030
Cultivation	[ha]	1,000	1,000	1,200	1,200	1,783	2,250
Potential Yield /a	[mt]	206	208	502	263	641	825

## Seizures /b

Cocaine*	[mt]	0.571	0.179	0.160	0.49	0.06	0.76
Marijuana	[mt]	37.20	46.00	75.00	35.00	43.00	29.00
Hashish Oil	[kg]	278.00	47.00	235.00	165.00	171.00	-
Heroin	[mt]		0.001	0.001	0.002	-	-

## Labs Destroyed

Hashish Oil		0	0	2	-	-	-
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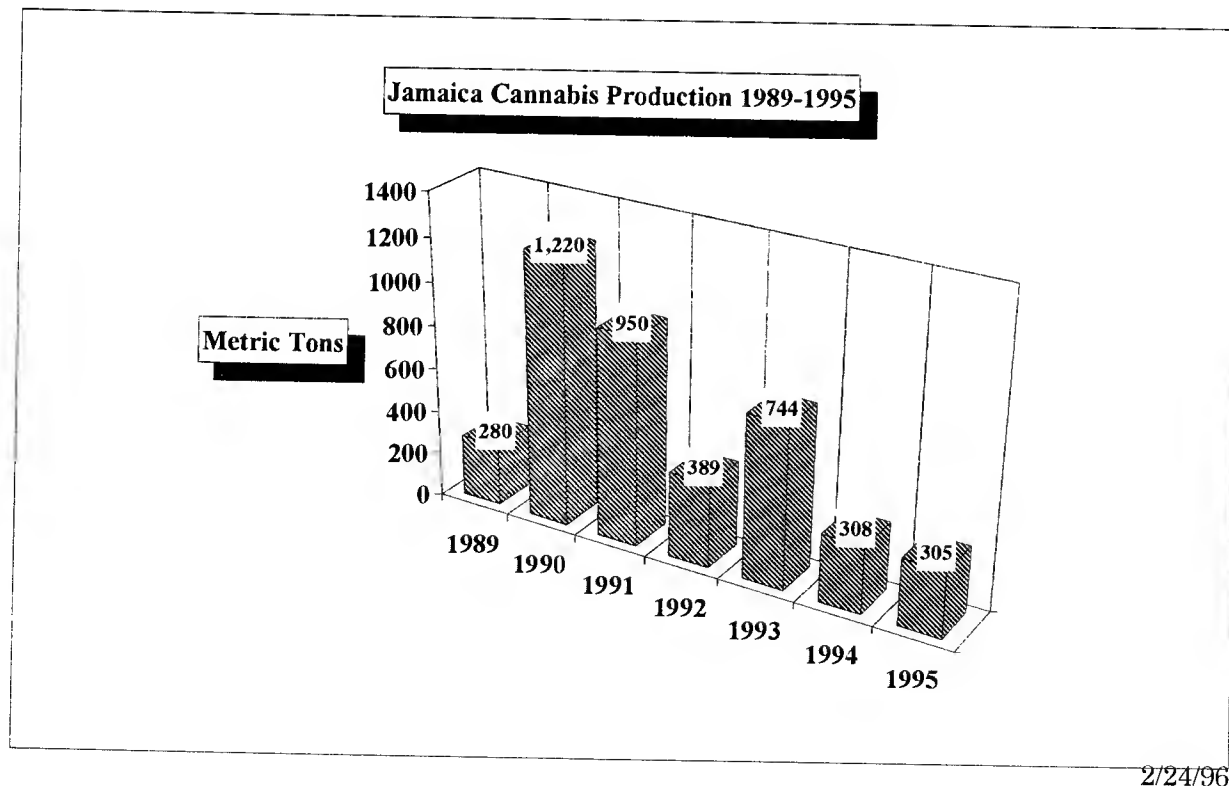
## Arrests

Nationals		3,325	788	899	785	4,353	4,908
Foreigners		380	98	517	364	674	524
<b>Total Arrests</b>		<b>3,705</b>	<b>886</b>	<b>1,416</b>	<b>1,149</b>	<b>5,027</b>	<b>5,432</b>

\*412 kg of the HCl seized in 1992 was part of DEA controlled delivery.

[a] Yield is based on 675 kilograms per hectare.

[b] Data, provided by Jamaican authorities, is for entire year.



## **NETHERLANDS ANTILLES AND ARUBA**

### **I. Summary**

The Netherlands Antilles and Aruba continue to serve as links in the transshipment of cocaine and heroin from Colombia, Venezuela, and Suriname to the U.S. and Holland. Traffickers use the ABC islands (Aruba, Bonaire, and Curacao) as bases for courier organizations shipping drugs to the U.S. via cruise ships, commercial airline, and container cargo shipments. Dutch Sint Maarten, which is the Dutch part of that half-French and half-Dutch island, also has become a major center for cocaine air drops and heroin shipments to the U.S. via Puerto Rico and to Europe via Holland.

Money laundering organizations are also well established on Aruba, Curacao, and St. Maarten. Several South American groups also are apparently making inroads on Bonaire to launder their illicit proceeds. Although the Governments of Aruba (GOA) and the Netherlands Antilles (GONA) have a 1993 law criminalizing money laundering, the governments have not passed laws to implement the anti-money laundering legislation, or to otherwise enable authorities to enforce the law.

The GONA and the GOA have re-organized their police departments in an attempt to better combat increased local drug trafficking and its attendant violence. Police on Aruba and Curacao have made significantly more local drug-related arrests than last year. The Government of the Netherlands (GON), which ratified the 1988 U.N. Convention, has no mechanism by which to extend the terms of the treaty to the GONA and GOA. Neither the GONA nor GOA has passed implementing legislation aligning them with the goals and objectives of the Convention.

### **II. Status of Country**

The ABC islands are located off the South American coast near Colombia and Venezuela. Cocaine enters these islands primarily via ocean-going vessels originating in Colombia and Venezuela. The cocaine is then transshipped via couriers who arrive on the islands by cruise ship or commercial aircraft. GONA and GOA authorities, with USG assistance, have made large cocaine seizures from air-freight shipment and container cargo vessels from the ABC islands. Heroin also enters these islands via couriers, who transship one to two kilogram amounts to the U.S. and Europe. The area around St. Maarten continues to be used extensively by organizations dropping multi-hundred kilogram amounts of cocaine destined for Puerto Rico and the Netherlands. Large shipments of cocaine continue to enter St. Maarten on vessels originating from other Caribbean islands, Colombia and the Cumana area of Venezuela. Authorities have seized 153 kilograms of cocaine HCl, 4 kg of heroin, and 366 kg of marijuana in Aruba. In the Netherlands Antilles, authorities seized 111 kg. of cocaine HCl, 810 kg. of marijuana and 8.35 kg of heroin and arrested 88 individuals on drug trafficking charges at the airport.

Off-shore corporate banking facilities, the casino/resort complexes, high volume American tourism in Aruba and St. Maarten, and stable currencies continue to make Aruba and the Netherlands Antilles attractive to money laundering organizations. Local governments in cooperation with Dutch officials are attempting to enact legislation that would place more controls on banking and financial institutions and give law enforcement officials the ability to investigate money laundering activities. Authorities cannot prosecute money laundering cases until such controls are in effect.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Although a 1993 law that makes money laundering a crime is in place in the Netherlands Antilles and Aruba, the parliaments of both governments have yet to pass implementing legislation that would strengthen local law enforcement's ability to take action against activities associated with narcotics trafficking. No prosecutions are likely without such implementing legislation. In conjunction with the Netherlands Ministry of Justice in 1995, the governments proposed changes to Kingdom laws to permit extradition of their nationals and make money laundering laws more comprehensive. To date, no Aruban or Antillean nationals have been extradited. A USG-Aruba agreement to establish a U.S. Customs pre-clearance facility on Aruba may suggest the Aruban government's resolve to combat drug trafficking in the Caribbean.

**Accomplishments.** GONA and GOA law enforcement officials continue to cooperate with U.S. and European law enforcement officials on joint investigations. The GONA and GOA have assisted U.S. law enforcement agencies in the dismantling of several courier organizations based on Curacao and Aruba which shipped narcotics to the U.S. Local judicial officials have worked closely with officials from the DEA and the U.S. Department of Justice to successfully arrest and extradite several well-known Colombian and Venezuelan cocaine traffickers. The GOA and GONA have established a Financial Action Task Force, an organization fully devoted to combating money laundering activities. However, little progress on anti-money laundering legislation is evident.

**Corruption.** Pervasive corruption is a serious problem that impedes efforts to control drug trafficking and money laundering. As a matter of government policy, the GONA and GOA do not encourage or facilitate the illicit production or distribution of narcotics or the laundering of drug money. No senior official in the current administration has been identified as engaged directly in the production or distribution of drugs or in money laundering or drug proceeds.

**Agreements and Treaties.** Although the Kingdom of the Netherlands ratified the UN Convention in 1993, the Kingdom did not extend the terms of the Convention to Aruba and the Netherlands Antilles. No date has been set for the possible extension. Aruba has cooperated with the USG by extraditing fugitives from Colombia and Venezuela to the U.S.

**Demand Reduction.** Evidence of drug abuse has increased in the Netherlands Antilles and Aruba. The GONA and GOA have officially acknowledged that violent and petty crime activities have increased in direct proportion to local narcotics abuse. Both governments are seeking to



establish in-country rehabilitation programs and treatment centers. The UNDCP is assisting Aruba to create a master drug plan encompassing both supply and demand reduction. In 1995, the UNDCP completed a prevention of drug abuse project in Aruba with Father Pride, a non-governmental organization. In the Netherlands Antilles, the UNDCP continues a joint project called the Integrated Demand Reduction and Community Project, designed to create alternative activities to drug abuse and strengthen communities.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The GONA and GOA agreed to the establishment of an Antillean-Aruban Coast Guard to patrol the territorial waters of the Netherlands Antilles and Aruba. This major step in fighting narcotics trafficking would enhance the governments' control over their seaports and coastal areas. However, the law enforcement authority of the new coast guard remains unclear. The Dutch have expressed their desire to exert command and control responsibilities over the new coast guard, but such legislation has been defeated twice in the Antillean parliament. Passage of such future legislation by the GONA seems unlikely, and leaves the new coast guard with little promise of law enforcement efficacy. The parliaments have drafted laws requiring financial institutions to verify the origin of cash deposits of ten thousand florins or more in on-shore banks in both the Antilles and Aruba. However, passage and enforcement of this legislation, which does not apply to off-shore facilities or casinos, remain to be seen.

**Bilateral Cooperation.** The GONA and GOA continue to work closely with USG officials concerning the exchange of narcotics information and the arrest and extradition of foreign narcotics traffickers. The GONA and GOA have sent representatives to U.S.-sponsored judicial and law enforcement programs in years past. In 1995, Aruban and Antillean representatives attended one regional USG counternarcotics law enforcement training course. In December 1995, the GOA hosted a regional International Drug Enforcement Conference attended by representatives of Caribbean nations. Close cooperation between U.S. Navy and Coast Guard vessels and Dutch military forces based on Curacao and Aruba is expected to improve future maritime counternarcotics operations in the islands.

During 1995 both governments have been extremely cooperative with extradition requests for non-Antillean and non-Aruban nationals. Current law prohibits the extradition of Antillean and Aruban nationals. Legislation pending in both parliaments, expected to be passed in early 1996, is anticipated to allow local magistrates to act on future extradition requests for nationals. In concert with the U.S. Consulate General in Curacao, DEA, U.S. Customs, Coast Guard and Navy have tailored their presence and maritime activities to focus on counternarcotics concerns. Joint exercises and personnel exchanges between U.S. military and the Dutch military command, FONLFORCARIB, have helped to convince local officials of the benefits of establishing airborne and naval narcotics interdiction entities.

**The Road Ahead.** Increased participation in regional anti-narcotics and money laundering organizations would benefit the GONA and GOA's counternarcotics activities. More comprehensive provisions on money

laundering; for example, requiring reports by financial institutions; became effective in February 1996, but additional legislation is needed to enable authorities to complete prosecutions. The GON-USG extradition treaty as of January 1, 1996 became valid in the Netherlands Antilles and Aruba, and July 1, 1996 is the date set for implementation of that treaty. Another significant 1996 achievement was the joint GONA, GOA and GON inauguration of the Antillean-Aruban Coast Guard on January 23. A maritime counternarcotics agreement and more resources from The Hague for counternarcotics would prevent further entrenchment of international narcotics trafficking organizations in the Netherlands Antilles and Aruba.

## **SURINAME**

### **I. Summary**

Suriname continues to be a transit point for cocaine destined primarily for Europe and to a lesser extent to the U.S. Arrests in Miami of couriers from Suriname carrying small amounts of cocaine have increased. Suriname and the Netherlands ratified a Mutual Legal Assistance Agreement, which has been used to obtain information on alleged drug traffickers. Dutch assistance to Suriname in the police/narcotics field has lagged behind expectations. Corruption and trafficker intimidation continue to hinder counternarcotics activities. Suriname is a party to the 1988 U.N. Convention, and has made limited progress in achieving its goals and objectives.

### **II. Status of Country**

While it is difficult to gauge the amount of drugs transitting the country, drug trafficking and money laundering activities are increasing. Suriname's small and poorly funded customs and police forces have taken few steps to impose governmental control over the interior, nearly four years after the signing of peace accords which ended an insurgency in the interior. Limited governmental control in the interior, coastline and seaports facilitates trafficking activity. Most drugs transitting Suriname are destined for Europe, but USG authorities made some seizures last year in Miami of drugs transitting Suriname.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Draft comprehensive anti-narcotics legislation remains under consideration by the Council of Ministers. The draft is the implementing legislation for the 1988 UN Convention. Passage of the legislation would reflect greater Surinamese resolve to prevent international narcotics trafficking there.

**Accomplishments.** Suriname and the Netherlands now have a Mutual Legal Assistance Agreement in force and have initiated exchanges of information for law enforcement purposes. Surinamese officials have arrested individuals attempting to smuggle small amounts of cocaine via aircraft. Persons convicted of smuggling narcotics may be sentenced to twelve years in prison. Although sentences for most crimes are often substantially less than the maximum permitted by law, the maximum sentence is frequently imposed in narcotics cases.

**Law Enforcement Efforts.** The understaffed narcotics squad requires more political support and more resources to develop its investigative and enforcement abilities. It currently lacks equipment and funds to conduct effective operations. The new narcotics squad office remains under construction, awaiting Dutch financing. The Dutch have lagged in providing long-promised finances and have not conducted assistance visits, hindering local police ability to focus their efforts on narcotics investigative activities.

The Surinamese military generally does not cooperate with domestic or foreign anti-narcotics efforts. An updated narcotics law, which includes such measures as asset forfeiture and criminal conspiracy provisions, remains under review.

**Corruption.** Corruption is pervasive among customs, immigration and police personnel. Authorities have arrested prison guards and wardens for facilitating the escape of a Brazilian drug trafficker jailed in Suriname. Both active and retired military personnel are also believed to be involved in trafficking and/or facilitating the movement of drugs into and out of the country, primarily to the Netherlands. Although military officials continue to enjoy immunity from arrest or prosecution by civilian officials, according to Surinamese law, GOS officials are taking steps to train investigators and prosecutors on completing cases on drug trafficking and related crime.

**Agreements and Treaties.** Suriname is a party to the 1988 UN Convention, as well as the 1961 UN Convention, its 1972 protocol, and the 1971 UN Convention. Suriname and the Netherlands signed and ratified an MLAA in 1995. Suriname signed a bilateral letter of agreement with the USG on anti-narcotics cooperation in September, which provides for training of law enforcement officials. Some officials have received training. The GOS has not yet taken steps to fulfill other goals of the agreement. Other goals include completing construction of a building to house drug control equipment provided under the terms of the agreement by the USG and approving a draft national drug control strategy.

**Cultivation/Production.** No coca or opium poppy cultivation occurs in Suriname. The country is not a producer of cocaine or heroin. However, small amounts of marijuana are grown largely for domestic consumption.

**Drug Flow/Transit.** The majority of the drugs entering Suriname arrive on Brazilian boats, then are transshipped primarily to Europe. Amsterdam is the destination of most cocaine which transits Suriname. Traffickers conceal drugs on couriers or hide them in legitimate shipments of bananas, vegetables and timber. The cocaine enroute to the U.S. appears to be limited to couriers who transport drugs internally or conceal such in their clothing.

**Demand Reduction.** Suriname does not appear to have a significant domestic drug problem. No formal demand reduction or drug rehabilitation programs currently exist. However, the draft Surinamese Drug Plan includes provisions for epidemiological research on domestic drug consumption patterns.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG International Narcotics Control program in Suriname seeks to strengthen the ability of the narcotics squad to obtain intelligence and interdict traffickers. Suriname's Joint Intelligence Coordination Center (JICC), when operable, will provide a mechanism to obtain reliable intelligence on trafficker travel patterns. Through

cooperation with U.S. law enforcement agencies, Surinamese police are tracking the nature and degree of domestic money laundering. More high-level political support from civilian government officials would enhance Suriname's progress on regional narcotics cooperative activities. Legislative efforts focus on obtaining approval of the new narcotics law.

**Accomplishments.** In FY-95, Suriname hosted a Customs Narcotics Enforcement Training Seminar for Suriname and Guyana. Representatives from Suriname included members of the customs service, military police and police narcotics brigade. Two senior officials responsible for narcotics enforcement also attended the IDEC XIII. The police have responded positively to U.S. requests for specific narcotics related information, and have taken appropriate action to investigate and make arrests when provided with narcotics related intelligence. Arrests and seizures in 1995 amounted to 63.6 kg of cocaine HCl, 41.6 kg of marijuana and 97 grams of hashish.

**The Road Ahead.** The USG will continue to work to strengthen the capabilities of the narcotics squad in intelligence gathering activities. More joint efforts with the Dutch government will enhance the interdiction and investigative capacity of the narcotics squad. Other policy efforts will focus on Suriname's plans to strengthen its port control capability. Recent increased narcotics arrests in the U.S. of travellers from Suriname and alleged transfers of currency and gold to the U.S. indicate that traffickers continue to look to Suriname as a transshipment and money laundering point.

## **TRINIDAD AND TOBAGO**

### **I. Summary**

Trinidad and Tobago (T&T) is an increasingly important producer and exporter of marijuana. Because of its geographic location, T&T is under increasing pressure from narco-traffickers, and is a transshipment point for cocaine. T&T became a party to the 1988 UN Convention in 1995, the goals and objectives of which the GOTT takes steps to fulfill. The GOTT also acts in accord with the terms of its bilateral counternarcotics agreement with the USG. Major progress against narco-trafficking was made in T&T in 1995, most significantly the first extradition of a convicted trafficker to the U.S., and the launching of a successful combined marijuana eradication program supported by U.S. military units. T&T is considered a low-medium money laundering priority, and is not significant in terms of production or trafficking of precursor or essential chemicals. Despite lingering rumors of drug-related official corruption, there were no concrete reports. The newly-elected government of T&T has pledged to continue and strengthen the counternarcotics policies of the outgoing administration.

### **II. Status Of Country**

A combined U.S.-Trinidadian marijuana eradication operation conducted in September showed that marijuana cultivation in T&T was a far greater problem than originally believed, with fields up to one mile long and clandestine airstrips discovered for the first time. Crime, much of it drug-related, is the main concern of the people of T&T. Drug trafficking is a serious problem, while money laundering is of moderate importance and production of precursor chemicals is not significant. Coca and opium are not produced in T&T.

Through donations of boats, computer systems, contraband detectors and marijuana-eradication equipment, the USG is attempting to bolster counternarcotics capabilities of the Government of Trinidad and Tobago (GOTT). The T&T coast guard still has great difficulty patrolling the nation's long maritime border with Venezuela, but the GOTT is making serious efforts to improve coastal security. At Port of Spain's Piarco international airport, T&T law enforcement personnel frequently seize drugs destined for the U.S., Canada, and other Caribbean islands.

### **III. Country Initiatives Against Drugs in 1995**

**Policy Initiatives.** Passage of the Dangerous Drugs Act Amendment in late 1994 paved the way for the GOTT's ratification of the 1988 UN Convention, which became effective on May 18, 1995. The Caribbean Financial Action Task Force (CFATF), based in Port of Spain, evaluated the GOTT's money laundering counter-measures in April, and the central bank issued money laundering guidelines for financial institutions. Several provisions of the 1991 Dangerous Drugs Act (as amended in 1994) were implemented, resulting in the freezing of assets of suspected narco-traffickers on two occasions. The Minister of National Security participated in the December

Summit of the Americas money laundering ministerial in Argentina, and T&T signed the final communique. The GOTT allocated U.S.\$10.5 million for the refurbishment of police stations and U.S.\$2.4 million for the purchase of motorcycles and jeeps for the police. In addition, the coast guard plans to spend several million U.S. dollars for the overhaul of its two largest vessels, which will be used in narcotics interdiction activities.

**Accomplishments.** The GOTT had several significant accomplishments during 1995, one of which was the combined Trinidadian-U.S. marijuana eradication program held during September. This helicopter-based operation, which included U.S. Marine Corps and U.S. Coast Guard personnel and elements of the T&T Defense Force and Police, succeeded in destroying 5,400,000 mature marijuana plants and 462,000 seedlings, more than seven times the number of plants eradicated in 1994. Hidden airstrips were also discovered, along with massive marijuana fields, one over one mile long. A follow-on eradication operation is scheduled for 1996.

For the first time, the GOTT froze the assets of persons accused of drug trafficking, on two occasions in 1995. Both cases are ongoing, and assets will be seized if the defendants are found guilty. Another first for the GOTT was the extradition of one of its citizens to the U.S. Several other U.S. extradition requests are currently pending. In October 1995, the GOTT notified the USG of its intention to negotiate a modern bilateral extradition treaty, a mutual legal assistance treaty and a bilateral maritime counternarcotics cooperation agreement. Negotiations are scheduled for early 1996.

Law enforcement cooperation remained strong, as seen especially in the marijuana eradication exercise. The GOTT renewed its contract with U.S. Customs, whose officers posted in T&T continued to advise T&T Customs on its reorganization. A container inspection station was opened at the port of Point Lisas.

The GOTT is working with the UNDCP on the preparation of a revised master plan to deal with drug trafficking and abuse.

**Law Enforcement Efforts.** During the period January to November, 1995, the T&T police seized 110 kg of cocaine (compared to 311 kg in 1994), and arrested 246 people for cocaine trafficking and 194 for possession, for a total of 440 arrests (compared to 539 in 1994). Over 5.4 million mature marijuana trees were eradicated (compared to about 0.8 million in 1994) and 1,634 kg of leaf cannabis (compared to 3,977 kg in 1994) and 300 grams of cannabis seed were seized. Police arrested 473 people for marijuana trafficking and 409 for possession, for a total of 862 marijuana arrests (compared to 960 in 1994).

The government re-introduced nighttime joint police and army patrols in an effort to crack down on crime.

**Corruption.** There were no significant arrests or prosecutions for narcotics-related corruption in 1995. Widespread rumors of serious drug-related corruption among prominent political and business leaders persist, but there were no concrete reports of such corruption. Investigations of official corruption are uncommon.

**Agreements and Treaties.** Extradition is covered by the 1931 U.S.-UK agreement, but the GOTT and the USG will begin negotiations in early 1996 on a new extradition treaty and also on a mutual legal assistance treaty and a maritime counternarcotics cooperation agreement. Since 1989, the GOTT has signed annual letters of agreement with the USG covering counternarcotics cooperation and USG assistance. T&T also has narcotics agreements with the UK, Canada, France, the Netherlands and the UNDCP, all of which provide funding for T&T counternarcotics efforts.

**Cultivation and Production.** Marijuana is the principal drug crop produced in T&T, and is grown extensively in the forest and jungle areas of northern, eastern and southern Trinidad, and to a minor extent in Tobago. With widespread use of U.S. military helicopters during September 1995, several large, previously unknown, multi-hectare marijuana plantations were discovered. An estimated crop of 25 million marijuana plants was identified by helicopter during the operation, of which slightly over 20 percent was eradicated. It is very likely that the entire crop was not identified. No aerially-applied herbicides are used on illicit crops. Marijuana eradication is carried out by manually cutting and burning plants. South American cocaine is liquified in T&T for export. Liquified cocaine represents a growing percentage of the cocaine smuggled out of T&T.

**Drug Flow and Transit.** Cocaine enters Trinidad primarily by small wooden fishing boats from Venezuela. Small landing strips have also been discovered adjacent to marijuana fields. Cocaine is smuggled out in containers, commercial aircraft, small aircraft and private yachts. A fair amount is also carried by drug "mules." There are no reliable statistics on the amount of drug trafficking. Seizures have dropped significantly from 1994, but marijuana eradication increased at least seven-fold.

**Demand Reduction.** The GOTT funds the National Alcohol and Drug Abuse Prevention Program (NADAPP), which coordinates activities of NGOs in demand reduction. The European Union donated U.S.\$1.38 million in 1995 to assist the GOTT in demand reduction. Several NGOs, one of which receives USG funding, run successful rehabilitation centers for addicts. NGOs also provide drug prevention educational materials to local schools, engage in self-esteem projects and maintain community prevention programs. Local television stations frequently broadcast anti-drug public service announcements. Members of the U.S. Marine Corps, participating in the September combined marijuana eradication operation, took part in demand reduction programs with local elementary and secondary school students.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** USG objectives are to have in place the mechanisms for good bilateral counternarcotics cooperation with the GOTT and also to assist the GOTT in strengthening its ability to counteract drug and related crime so that it can implement fully the provisions of the 1988 UN Convention, to which it recently became a party. To that end, the USG provides training and materiel to GOTT law enforcement entities. In the interest of improving counternarcotics information collection, analysis and sharing, the USG is developing new software to improve the system of Joint Information Coordination Centers (JICCs).



The USG has set aside funding to provide technical assistance for a Caribbean regional witness security program, which the GOTT fully supports. The USG also assigned a highly qualified officer to the Caribbean Financial Action Task Force and supports its anti-money laundering activities.

**Bilateral Cooperation.** With issues of crime and drugs moving to the forefront of public opinion in T&T, 1995 marked a historic high point of U.S.-T&T bilateral cooperation against narcotics. The September combined marijuana eradication operation was a resounding success, with similar operations planned in the near future. The willingness of the new government to negotiate crucial treaties, and the extradition of a narco-trafficker, bode extremely well for future judicial cooperation. The first elements of an advanced radar system have already been installed with USG assistance, and the prime minister personally supports the expansion of the system. During 1995, the USG donated three 40-foot patrol vessels to the T&T coast guard and four speedboats to T&T customs. In May, the U.S. Ambassador and the T&T Prime Minister officially opened the new T&T coast guard station at Galeota, on Trinidad's sparsely-populated southeast coast. The station, built by the U.S. Marine Corps, will provide critical maritime coverage of T&T's rural south coast, a major landing site for drug traffickers sailing from Venezuela.

With the assistance of U.S. Customs advisors under contract to the GOTT, T&T Customs opened a container inspection station. The USG donated two hand-held contraband detectors to T&T Customs in October. New software is scheduled for installation at JICC in early 1996, allowing for improved information sharing with the El Paso Intelligence Center.

**The Road Ahead.** Although the GOTT will attempt to seriously tackle narco-trafficking, its police, defense force and judicial system are still far from being adequately equipped to defeat large scale drug production and trafficking. During 1996, the USG plans to negotiate bilateral extradition and mutual legal assistance treaties and a maritime counternarcotics cooperation agreement. The USG also plans to expand its support for GOTT maritime law enforcement efforts via provision of additional excess radar equipment and boats. The USG also plans to continue its helicopter support for marijuana eradication. Further USG assistance will provide eradication equipment for police units and support for the T&T Customs and Excise Division in establishing container inspections. The GOTT will host a regional drug interdiction training program and infrastructure building train-the-trainer workshop to be presented by U.S. Customs. With coordination assistance by the GOTT, the USG will begin training in support of a regional witness security program. The USG will also work with the GOTT to identify ways in which the efficiency of the T&T judicial system can be improved. The USG will install new software in the T&T JICC and provide training in its use and in data analysis. The U.S. will also continue to support demand reduction efforts, largely through NGOs.

## **EASTERN CARIBBEAN**

### **I. Regional Summary**

The seven eastern Caribbean countries--Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines--are traditionally democratic governments, the stability of which is threatened by narcotics trafficking and other organized criminal activities. The economies of these developing countries are fragile; the resources of the drug cartels are enormous. These islands, whose geographic location places them at the back door of the United States, are also on the direct traffic routes from the South American drug cartel enterprises.

Problems of high unemployment and small undeveloped economies make them vulnerable to trafficker manipulation. Their borders consist of hundreds of miles of rugged coast line which are impossible to monitor properly within their limited resources. The countries with the greatest threat are those closest to the source countries (St. Vincent, Grenada) and those closest to the U.S. market (Antigua, St. Kitts), although the others (Dominica, St. Lucia and Barbados) have other attributes attractive to the cartels (international airports, large port facilities, and weak law enforcement capabilities).

In 1995, there was substantial drug trafficking through the eastern Caribbean gateways to U.S. ports of entry in both the main island and Vieques island of Puerto Rico and the U.S. Virgin Islands (PR and the USVI are collectively designated by the USG as a high intensity drug-trafficking area, or HIDTA, which receives special funding to combat the problem). DEA reports that during the last three years an estimated seven tons of cocaine per month were successfully smuggled into Puerto Rico from the Lesser Antilles. The Lesser Antilles, which includes territories of the UK, the Netherlands, and France, is also increasingly a transit route to western Europe; approximately 30 percent of the drugs brought into the UK come from or through the Caribbean.

Traffickers exploit the eastern Caribbean's traditional advantages as a transit route: vulnerable geographic location close to U.S. ports of entry, easy navigation, rugged and inadequately patrolled coastlines and waters, attractive under-regulated banking practices, well-entrenched local drug subcultures, severely limited resources for law enforcement, fragile economies, and governments and political parties on some islands vulnerable to corruption. Local governments are not able to finance their law enforcement operations at a level commensurate with the trafficker threat.

South American trafficker organizations control most of the drug shipments passing through the region. In 1995, there were indications of increasing prominence of Venezuela-based rings, a change from the previous near-monopoly by Colombian cartels. As the point of departure of drugs from the South American mainland has shifted eastward, so has the level of

transit through the eastern Caribbean. Nevertheless, Colombian traffickers remain dominant. Some cartel personnel, like their product, transit the region while being smuggled into the U.S. Trafficker cartels have members residing on several islands who work in alliance with local traffickers. Production or movement of essential or precursor chemicals does not appear significant in the eastern Caribbean.

The security forces of the seven independent eastern Caribbean countries are grouped under the rubric of the Regional Security System (RSS). Separate defense forces exist only in Antigua and Barbuda and in Barbados. The other countries' coast guards are the responsibility of police forces. In all cases, the security forces support police counterdrug efforts. The RSS countries already cooperate on maritime interdiction and have a provision for mutual shipriding. A draft treaty among them, expected to be signed in early 1996, would give the RSS a greater mandate in fighting narcotics trafficking and make it easier for forces from one country to conduct independently counterdrug missions in the territorial waters of the others.

Regional governments, working with the U.S. and other donors, have undertaken several initiatives to improve collection and exchange of drug-related intelligence, including a Joint Information Coordination Center (JICC) now operating in Barbados; JICCs in additional eastern Caribbean countries are planned in 1996. Other electronic law enforcement information systems are planned.

The region's governments began to mobilize in 1995 to counter the comprehensive threat posed by drugs and traffickers. The leaders of the eastern Caribbean nations spoke out strongly against the drug menace. The Caribbean Community (CARICOM) heads of government meeting in Guyana in July 1995, declared narcotics trafficking a major security threat to their countries. They agreed to develop, to the extent possible, common legislation against drug money laundering. In the face of the trafficker threat, they agreed to coordinate regional security efforts and assistance requests, including those for technical advice and equipment to combat money laundering. Accomplishing these laudable objectives to deal forcefully with drug and related crime issues will be a challenging test of the political will of the eastern Caribbean leaders.

Eastern Caribbean leaders have argued for assistance in facing this threat. They not only welcome outside assistance but also recognize their dependency on donor contributions. All seven countries continue to need assistance with equipment and resources for their police and coast guards; increased training opportunities for counternarcotics personnel, including customs and port officials; and assistance with judicial reform and training, legislation for asset seizures, and counter-money laundering procedures. With few exceptions, cooperation with U.S. authorities and agencies is excellent. There appears to be a willingness to review established traditions in legal and judicial institutions in order to modernize to meet the growing number of drug-related cases. The U.S. coordinates counterdrug assistance with other donors through the Bridgetown Group, a mini-Dublin Group which includes representatives of UNDCP and the EU. The year 1995 marked the beginning of major multi-national initiatives for the eastern Caribbean, including discussions on a proposed major European Union program and on a comprehensive regional drug conference planned for 1996.

With the accession of St. Kitts and Nevis and St. Lucia in 1995, all eastern Caribbean nations are parties to the 1988 UN Convention. Most countries are also parties to the 1961 Convention and the 1972 Protocol. All countries have, in cooperation with UNDCP, produced draft country counternarcotics master plans, except for St. Kitts, which has requested immediate assistance in preparing a plan. Implementation of the Convention remains hampered by limited understanding of the required legislation and political and legislative priority attention to the problem.

In recent years, improvements in law enforcement have been stymied by weak judicial systems in some countries. Although police efforts have in general intensified, problems persist in the collection and presentation of evidence, prosecution of cases, effective use of conspiracy laws against drug ring leaders, and uniformity in sentencing guidelines. Centuries-old judicial traditions allowing for the payment of fines in lieu of serving jail time remain largely intact, encouraged all the more by concerns of already overcrowded local prisons. The net result is detention of smaller drug criminals and the release of big-time traffickers who benefit from national ineptitude at prosecuting major drug criminals.

Regarding money laundering, Antigua and Barbuda is ranked medium-high priority, St. Vincent and the Grenadines is ranked medium priority, Barbados, St. Kitts and Nevis and St. Lucia are ranked low priority, and Dominica and Grenada are ranked no priority. Few eastern Caribbean states have developed adequate mechanisms for regulation and oversight of the offshore financial services industry. The OECS central bank, based in St. Kitts, has some responsibilities for supervision of member states' domestic banks (excluding offshore institutions) and has begun to focus on money laundering. All the eastern Caribbean nations make some provision for the forfeiture and confiscation of property or proceeds obtained from drug trafficking, either under a proceeds of crime act (Antigua, Barbados, Dominica, Grenada, St. Kitts, St. Lucia--which also provide for admissibility of orders made by courts in other countries) or under the drug laws. However, there were no reports of successful prosecutions for money laundering.

Strides were made in 1995 toward formalizing cooperation between the U.S. and the eastern Caribbean states. The U.S. and Barbados agreed to a mutual legal assistance treaty (MLAT), along with an updated extradition treaty which covers all common offenses including conspiracy and organized crime offenses. Negotiations for MLATs and modern extradition treaties between the U.S. and the other six eastern Caribbean states are in an advanced stage. Antigua, Barbados, Dominica, and St. Vincent have mutual legal assistance laws that provide a statutory precedent for such treaties. The U.S. also signed maritime counterdrug law enforcement agreements with the six member states of the Organization of Eastern Caribbean States (OECS), and one is anticipated with Barbados in early 1996.

All seven eastern Caribbean countries have laws against corruption by public officials, including drug-related activities. In 1995 there were no major prosecutions. The massive resources at the disposal of the traffickers pose a continuing threat to the democratically-elected governments and vulnerable economies of the region.

Interest in demand reduction is growing. The St. Lucia-based Secretariat of the OECS promotes demand reduction in its member states of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

(See separate INCSR sections on the other islands in the eastern Caribbean: the Dependent Territories of the UK for reports on Anguilla, the British Virgin Islands, and Montserrat; on the French Caribbean Departments for Guadeloupe and Martinique; and on the Netherlands Antilles and Aruba for the Dutch islands.)

## II. COUNTRY REPORTS

Note: U.S. efforts in the region continue to intensify, which may produce higher, but more accurate, estimates on trafficking and production compared to previous years.

**ANTIGUA AND BARBUDA.** This two-island nation has long been a drug transit country and is increasingly a money laundering center. Antigua's geographic location has been exploited by smugglers and other criminals. The Antigua airport has one of the most extensive networks of connections in the region and is used by smugglers to the U.S. and Europe. Major Colombia-based trafficking organizations use both islands as a staging area and cache site. Transshipment networks continue to operate there. Most drugs come from Colombia, Venezuela, and, for domestic consumption, Trinidad or Jamaica. Significant amounts of drugs are airdropped off the coasts of the islands, then picked up by fast boat for onward delivery. Antigua is developing financial services facilities which currently are inadequately regulated or unregulated. For example, adjacent to the airport is an on-site banking service for easy and unmonitored banking activities. Antigua also offers administrative services for off-shore banks via computer network. There is no significant cultivation of cannabis in Antigua and Barbuda. Domestic use of crack cocaine is growing, and has prompted both the government and private organizations to seek assistance in providing rehabilitation. In 1995, authorities reported 145 arrests for drug offenses. They seized 110 kg of cocaine, 217 kg of marijuana (a significant drop from the previous year), and 142 pieces of crack (a small drop).

Antigua and Barbuda does not have an effective drug and money laundering enforcement policy. Convicted traffickers have the option of paying a heavy fine in lieu of jail, which occurs in most cases. The government has benefitted from the substantial revenue derived from these fines. Drug cases are usually tried in magistrates court. Verdicts, including convictions, can be obtained quickly, often within a few days after arrest. In 1995, there were two drug trials involving well-known Antiguan. In the spring, a member of the prime minister's family was convicted and paid a substantial fine in lieu of five years imprisonment, to which he was sentenced for smuggling and possession of cocaine. The government did not interfere in the case. In the summer, a retired deputy police commissioner was arrested for the possession of 45 kg of cocaine, weapons, and alleged explosives. He was convicted only of the weapons charge. A relative who was arrested with him was convicted of the drug charge. Both were released after paying fines. At the close of 1995, police arrested a major local trafficker who was believed to be responsible for significant transit and air drops.

The Government of Antigua and Barbuda (GOAB) is a party to the 1988 UN Convention. However, the government's drug control legislation and enforcement efforts are not totally consistent with the goals and objectives of the Convention. The GOAB does not have adequate anti-money laundering legislation. We understand the government has drafted and plans to submit to parliament, in early 1996, a set of anti-drug and anti-money laundering measures. The GOAB signed a maritime law enforcement (counterdrug) agreement with the U.S. in 1995. The GOAB requested negotiations to conclude a mutual legal assistance treaty (MLAT). Both MLAT and extradition treaty negotiations began in 1995 and are well advanced. The GOAB has sought to establish a drug rehabilitation center. Demand reduction programs are administered by the National Drug Council.

**BARBADOS.** The drug issue retained a high profile in Barbados in 1995. Geographically located in an area of increasing transit, Barbados is challenged to retain its strong posture in the face of trafficker efforts. Strong enforcement, tough courts, and public mobilization resulted in a drop in crime, and drug usage began to abate. The government has taken a variety of initiatives to address the drug problem. There is virtually no cannabis grown on the island, but it is imported from neighboring islands for the domestic and tourist markets, as confirmed by the arrest of smuggling boats, most of them from St. Vincent, or the discovery of bales of marijuana on the beach.

In 1995, drug arrests increased about 50 percent over the past five years. Traffickers continue to use Barbados as a transit point for cocaine destined for both North America and Europe, particularly the UK. Sentencing in Barbados for drug violations is the strongest in the region, including incarceration for drug use and trafficking. Barbados has begun to aggressively pursue seizure of traffickers' assets. Officials remained concerned about the growing number of firearms on the island, which they directly traced to the drug trade. Barbados hosted the second Caribbean conference of drug squad commanders and a variety of other counternarcotics and law enforcement training.

Cooperation with U.S. authorities is excellent. Legal and law enforcement cooperation was enhanced with agreement on a mutual legal assistance treaty and on an extradition treaty, which updates an existing 1931 treaty and encompasses all common offenses including anti-drug and organized crime measures. A major U.S.-funded effort to improve court reporting and management is in progress. Barbados is a party to the 1988 UN Convention and has taken steps to implement its provisions. An active NGO community and strong commitment to community policing have made demand reduction programs in Barbados among the best in the region. The National Drug Council involves both government departments and NGOs active in demand reduction. The Faculty of Law at the University of the West Indies continued to be a center for anti-drug legal efforts throughout the region.

**DOMINICA.** Dominica, noted for its rugged terrain, is a minor cannabis producer and a rapidly growing drug transshipment point. In 1995, plagued by economic disruption, Dominica became increasingly vulnerable to major traffickers seeking transit routes for both marijuana and cocaine. Police report that most shipments go to Antigua and the French islands

of Guadeloupe, Martinique, and St. Martin. Limited air connections mean that transit is mostly via small boats. Some Dominicans engage in trafficking elsewhere in the region. Recent eradication missions have revealed an increase in cannabis cultivation in remote or inaccessible parts of the island. Local authorities believe this trend has been exacerbated by the devastation of the September 1995 hurricane season, along with economic difficulties facing the banana industry. Strong counterdrug enforcement efforts by Dominica police have met with open, and sometimes armed, resistance in areas which had long been the refuge of cultivators or smugglers. Incidents late in the year occurred at Grand Bay, where one local person died, and in the north near Portsmouth.

Police maintain year-round eradication efforts, which in 1995 received USG support. Much of the Dominican-grown cannabis is consumed locally. The use of crack cocaine is growing. In the most important arrest in 1995, police arrested a major trafficker and cocaine smuggler and 12 co-defendants, along with 225 kg of marijuana. Dominican authorities report 35 seizures in 1995, and eradication of 126,000 plants, a substantial increase over eradication in 1994.

Dominica has acceded to the 1988 UN Convention. The government does not condone corruption. Implementation of the Convention is hampered by limitations of the judicial system. Despite severe resource constraints, the Government of Dominica cooperates fully with U.S. law enforcement agencies and other counternarcotics programs and signed a bilateral maritime law enforcement agreement in 1995. Negotiations of a bilateral MLAT and extradition treaty are well advanced. Dominica is receiving U.S. assistance to establish a drug squad and coast guard presence in a main drug trafficking area and has requested additional assistance for other locations. Dominica maintains a strong portfolio of demand-reduction projects supported by the U.S. and other donors. Dominica has taken the lead in the region in implementing a Drug Abuse Resistance Education (D.A.R.E.) program, and agreed to host in 1996 the inaugural training for a regional D.A.R.E. program in the Caribbean.

**GRENADA.** Despite commendable anti-narcotics efforts by the authorities, both cocaine and marijuana remained readily available in Grenada. Cannabis is cultivated locally on small, remote plots. An eradication mission in 1995, conducted with U.S. air support, revealed that the overall extent of cultivation on the island is minimal, well below previous estimates. Some cannabis, cocaine and crack are imported from South America and Trinidad, generally by small boat, both for domestic use and also for transshipment, which often takes place by air, including air cargo. In 1995, there were increasing reports of airdrops in the vicinity of Grenada, especially in the triangle of small islands to the north of the main island. Venezuelan and Trinidad-based cocaine trafficking networks have used Grenada as a transshipment point.

Grenada has acceded to the 1988 UN Convention. It has a bilateral counternarcotics agreement with the U.S. and signed a maritime law enforcement agreement. Negotiations of a bilateral MLAT and extradition treaty are well advanced. Grenada officials cooperate well with U.S. agencies. Prosecutors have used the country's drug laws to obtain convictions. Grenada has an asset seizure law, but there were no cases of asset seizure in 1995. Grenada does not, as policy, condone corruption. It has made the effort to maintain its reputation for a clean police force.



**ST. KITTS AND NEVIS.** The location of this two-island nation in the northeast corner of the Caribbean makes it vulnerable as a smuggling route of importance into the U.S. Seizure and other information indicate that trafficking through and around St. Kitts in 1995 was about the same level as in 1994, despite a surge in international attention and U.S. and UK enforcement cooperation, including increased deployments of U.S. Coast Guard vessels. Much of the transit of narcotics through the area is accomplished by airdrop off the coasts of St. Kitts and Nevis and is linked to trafficker networks based in Dutch or French St. Martin or Antigua. The remote and unprotected beaches on St. Kitts continue to be used for overnight cache sites by international cocaine trafficking organizations. Local Kittitian trafficking organizations have established ties to Colombian trafficking organizations. In 1995, some local traffickers made substantial investments in land, properties, and businesses.

Elections in 1995 produced a new government which campaigned heavily on law and order themes. Since coming into office, the government has been vocal in support of domestic and international counternarcotics efforts. However, despite significant incriminating evidence, the trial of the accused in a late 1994 narco-terrorist assassination of a senior police official resulted in a hung jury. The prime minister has pledged that the government will hold a retrial.

In 1995, in response to that assassination, the UK seconded a senior police officer to be police commissioner. The U.S. provided counterdrug, security, and counterterrorism training, with additional training and equipment scheduled for delivery; local police still faced a major challenge from local and international traffickers. Cooperation from St. Kitts law enforcement officials with the USG is excellent. Drug enforcement officials worked cases cooperatively. The St. Kitts and Nevis coast guard is highly regarded by the U.S. Coast Guard. Eradication missions conducted with U.S. air support in 1995 revealed a limited amount of cannabis.

St. Kitts acceded to the 1988 UN Convention in 1995. Additional legislation and strengthened implementation of existing legislation will be needed to fully satisfy the requirements of the Convention. The government has requested assistance from UNDCP in drafting a drug master plan. In 1995, St. Kitts and Nevis was the first eastern Caribbean country to sign a bilateral maritime law enforcement agreement with the U.S. Negotiations of a bilateral MLAT and extradition treaty are well advanced. Formal drug demand reduction programs, which had long been limited to some school programs, was enhanced in 1995 with the formation of an anti-drug committee, including representatives of the government, religious organizations, NGOs and the private sector, which undertook several initiatives.

**ST. LUCIA.** St. Lucia remains a transshipment point for cocaine to other eastern Caribbean countries, the U.S. and Europe, directly to the UK or via the French West Indies. Transshipment through St. Lucia increased in 1995. Many of the shipments originated in Venezuela. Cocaine traffickers



principally use small fishing boats to transport their shipments, but smugglers also use airplanes and cruise ships as well as private pleasure craft. Marijuana is locally cultivated for domestic use, with small amounts exported to the U.S., Europe and Martinique. St. Lucia is plagued by some local marijuana use and a significant crack cocaine consumption problem.

Despite inadequate laws, limited resources and increasing trafficking activity, St. Lucia police aggressively target both local and international traffickers. A single eradication operation in mid-1995, conducted at the request of the prime minister, led to the eradication of over 235,000 marijuana plants, a significant increase over 1994.

St. Lucia acceded to the 1988 UN Convention in the latter part of 1995. Although asset seizure legislation is in place, no asset seizures have been carried out. Disagreement over program implementation caused the suspension of the UNDCP program in St. Lucia in 1995, including a return of advanced monies. There is good cooperation with UK and French agencies. A combined USG-Government of St. Lucia (GOSL) operation resulted in the arrest in the U.S. of a major trafficker and four co-defendants running a courier operation between St. Lucia and New York. St. Lucia signed a maritime law enforcement agreement in 1995 and has cooperated in its implementation. Negotiations on a bilateral MLAT and extradition treaty are well advanced. The St. Lucia-based secretariat of the Organization of Eastern Caribbean States (OECS) promotes demand reduction in member states.

**ST. VINCENT AND THE GRENADINES.** Despite increasing efforts by its government, this multi-island country remains plagued by problems of production, consumption, and transshipment of drugs. The often-inaccessible terrain of St. Vincent and the more than 20 islands of the Grenadines offer ideal conditions for drug growers and smugglers, and severely complicate any police effort. The country is used to transship cocaine originating from Trinidad, Venezuela and Colombia. The cocaine is mostly intended for the U.S. or the European market. Much of the trafficking activity is carried out by Vincentian trafficking organizations. One such organization was disrupted by the arrest of its leader in 1993. The domestic use of both cocaine and crack is due in part to spill over from the transit of these drugs. These are limited demand reduction programs, some supported by UNDCP and the U.S.

The remote, mountainous areas of St. Vincent are fertile for marijuana cultivation, which expanded in 1995 despite government-sponsored eradication. Much of the production is exported to neighboring islands, with limited export to the U.S., Canada, and Europe. Local law enforcement and other sources indicate that struggling banana farmers have been turning to marijuana as a cash crop to supplant lost earnings. Unemployment also motivates illegal activities. Police cooperation with U.S. officials has been good. St. Vincent signed a maritime law enforcement agreement with the U.S. in 1995. Negotiations on a bilateral MLAT and extradition treaty are well advanced. A combined eradication mission on St. Vincent, carried out with U.S. air support in February-March 1995, resulted in the eradication of 7 million marijuana plants and the destruction of approximately 8,000 pounds of processed marijuana. There has been political opposition to these efforts throughout St. Vincent, and growers in some areas have actively opposed police efforts. The police continue to make arrests, but complain that there are few convictions for large-scale trafficking.

There were no arrests or prosecutions for narcotics-related corruption in 1995. St. Vincent acceded to the 1988 UN Convention in 1994. Some laws are in place, including asset forfeiture legislation for drug trafficking-related offenses, encompassing both conspiracy and money laundering and also drug-related offenses committed outside the country. The government seized approximately U.S.\$347,000 associated with a major trafficking organization; several people have been convicted in the case. Implementation of the laws remains limited. In 1995, St. Vincent took steps to improve its ability to investigate major trafficking groups. A UK customs officer was contracted to train the drug squad and perform investigations.

## FRENCH CARIBBEAN

Martinique, Guadeloupe, and French Guiana are "departments" of metropolitan France, and are subject, therefore, to French laws and to the 1988 UN Convention, to which France is a party. With the resources of France behind them, the governments of these territories are meeting the goals and objectives of the Convention. Nevertheless, drug traffickers and money launderers are active, especially on St. Barthelemy and on the French half of St. Martin (part of the Department of Guadeloupe) whose free port status, heavy flow of tourists, offshore banking facilities, and easy access to the relatively less-controlled Dutch half of St. Martin make it the most susceptible to narcotics trafficking and money laundering. A small amount of marijuana is grown in French Guiana for local consumption, but most marijuana available there comes from Suriname and Guyana.

French judicial police opened an office on St. Martin in 1990, when cocaine seizures for the French departments reached 1.2 metric tons, 990 kg of which were seized on St. Martin. By 1994, seizures had risen to at least two metric tons, most of which was found on or near St. Martin. Increased cocaine flows through St. Martin can be attributed both to the overall increase in drug shipments through the eastern Caribbean, and to enhanced interdiction efforts in other Caribbean trafficking routes, which make St. Martin appear, in comparison, to now be an easier route for transshipment.

The USG and the Government of France (GOF) have narcotics-related agreements, including a 1971 agreement for coordinating action against illicit trafficking. The U.S. and France have an active extradition treaty, but French law does not permit the extradition of French citizens. The GOF has, however, formally arranged with the USG and some other countries to prosecute its nationals domestically for extraditable crimes committed elsewhere. The multilateral Caribbean Customs Mutual Assistance Agreement provides for information sharing concerning enforcement of customs laws, including those related to the suppression of trafficking in narcotics and psychotropic substances. The French Customs Service and Gendarmerie actively cooperate with the U.S. against narcotics smuggling via container shipments to Europe. However, the GOF has no evidence of seizures in France of containerized cocaine that originated in the French Caribbean, or on the many pleasure craft visiting the islands. French Caribbean authorities are handicapped by a shortage of marine assets but share information with their counterparts on neighboring English-speaking islands. A French police attache with considerable Caribbean crime experience, posted in the French embassy in St. Lucia, conducts liaison with regional law enforcement personnel. In 1995, French Caribbean law enforcement personnel received some USG-funded training in regional seminars. French civil servants have not been accused of any narcotics-related corruption. U.S. Customs officers periodically teach at Martinique's regional training center.

Discussion between the GOF and the USG regarding a bilateral maritime counternarcotics cooperation agreement for the Caribbean continued during 1995, with conclusion expected in 1996.

In 1995 France, along with several other European Union (EU) member countries, expressed renewed interest in working with the U.S. and Canada to counter narcotics trafficking and criminal activities in the Caribbean. Discussion of a coordinated crime and narcotics initiative will begin at a May 1996 Caribbean workshop in Barbados administered by UNDCP.

## **DEPENDENT TERRITORIES OF THE UNITED KINGDOM**

**ANGUILLA, THE BRITISH VIRGIN ISLANDS (BVI), CAYMAN ISLANDS, MONTserrat, and TURKS AND CAICOS ISLANDS (TCI)** comprise the United Kingdom's (UK) Caribbean Dependent Territories. These territories are not significant drug producing countries but are drug transshipment points. The territories' numerous off-shore financial institutions may be abused by drug traffickers to launder money, although over recent years Her Majesty's Government (HMG) has taken steps to tighten regulatory regimes and improve the quality of regulation in all of the territories. Guidelines for the issue of new bank licenses have been introduced, restricting licenses to subsidiaries of established banks with effective home supervision. With strict secrecy laws and a large offshore banking sector, the Cayman Islands are particularly vulnerable to money launderers, especially from the U.S., but the government cooperates closely with U.S. authorities in investigating suspicious transactions.

The UK extended the 1988 UN Convention to the Caribbean Dependent Territories in 1995. The territories are subject to the U.S.-UK mutual legal assistance treaty concerning the Cayman Islands (which has been extended to the other jurisdictions) and the U.S.-UK extradition treaty. In 1995, HMG and the governments of the territories explored with the USG the possibility of concluding a supplemental treaty of extradition applicable to the Dependent Territories only. Operational contact between the USG and the governments of the territories is close and effective. We are aware of no evidence of official corruption among senior police and customs officials.

The USG enjoys good maritime cooperation with the UK DTs and with HMG in the Caribbean region. A 1981 exchange of notes provides UK agreement, specifically covering the Caribbean, Gulf of Mexico, and part of the western Atlantic, for the U.S. Coast Guard to board privately-owned vessels with UK registry which are suspected of drug trafficking. The agreement further allows such vessels to be searched, and if drugs are found, to be seized by the USCG and taken to a U.S. port. U.S. Customs and U.S. Coast Guard have a reciprocal shiprider agreement with BVI. The U.S. Coast Guard deploys shipriders on HMG's West Indies Guard ships and has had some drug interdiction successes in the Caribbean region at large. Efforts are being made to clarify HMG's position with respect to consensual boardings.

Anguilla's geographical position makes it particularly vulnerable to nighttime air drops of cocaine destined for the nearby islands of St. Martin/St. Maarten and Puerto Rico. During 1995, Anguilla cooperated in two combined international operations which took place at sea. Anguilla maintains good cooperation and drug-related intelligence exchanges with the French and Dutch Antilles investigative services. Turks and Caicos Islands police participate with Bahamian and U.S. forces in the notably successful Operation Bahamas and Turks and Caicos (OPBAT), which has reduced the volume of detected drug trafficking through that region.

In 1995 the Cayman Islands seized 313.5 kg of cocaine (compared to 4 kg in 1994), of which 311 kg was seized in a combined operation with U.S. authorities, and 2.6 mt of marijuana (compared to 1.8 mt in 1994), and arrested 548 people on drug charges. The British Virgin Islands seized 1,194 kg of cocaine in 1995 (compared to 450 kg in 1994), 235 kg of marijuana

(versus 1 mt in 1994), and destroyed 1,960 cannabis plants. Anguilla seized 610 kg of cocaine during 1995 (versus 240 kg in 1994) and 90 kg of marijuana. Despite its struggle during 1995 under the threat of an impending volcanic eruption requiring relocation of people from one part of the island to another, Montserrat police seized 40.67 grams of cocaine (none reported seized in 1994), one rock of crack (compared to 38 seized in 1994), two kg marijuana (compared to 15 kg in 1994), and destroyed 31,428 cannabis plants (compared to 240,600 destroyed in 1994). Turks and Caicos seized 20 kg of cocaine and 9.6 kg of marijuana during 1995, compared to 570 kg of cocaine and 35 kg of marijuana in 1994.

The money laundering ranking of the Cayman Islands is high priority. While the immense offshore financial community and easy access to shell companies continue to make the Cayman Islands attractive to money launderers, a 1995 Caribbean Financial Action Task Force (CFATF) evaluation of the Caymans recognized the efforts being made to deal with the problem. For example, the Government of the Cayman Islands (GOCI) currently is working on all-crimes money laundering legislation to emulate recent British legislation on this subject, as are all the other territories. Anguilla and BVI are ranked low priority, and TCI is ranked no priority. With the impact of the volcano, Montserrat has seen a significant reduction in business. All the territories are introducing "gateway" provisions in their financial services legislation to facilitate regulatory cooperation and will be introducing further regulations to provide greater transparency in respect to corporate ownership.

As a further example of U.S.-UK cooperation in combatting drug-related crime in the Caribbean region, the UK is tentatively planning to move the Dependent Territories regional criminal intelligence system from Tortola, BVI, to Miami to increase its effectiveness and facilitate liaison with U.S. counterparts. A final decision on relocation awaits assessment of a pilot test of a new data system. This follows the successful operation of the combined U.S.-UK white collar crime team established in Miami two years ago with officers from the FBI and New Scotland Yard.

## **SOUTHWEST ASIA**





## AFGHANISTAN

### I. Summary

Although a party to the 1988 UN Convention, Afghanistan remains the world's second largest producer of opium poppy after Burma. US satellite surveys show a 33 percent increase in poppy cultivation over 1993-94 figures. Ongoing civil strife, instability, and the lack of an internally accepted central government contributed to Afghanistan's poppy production expanding into areas not previously under cultivation. In contrast to US estimates, UNDCP estimates for the 1994-1995 growing season register a decline in opium poppy cultivation and yields, much of it the result of widespread eradication by the Nangarhar Provincial Shura (governing council). Efforts at eradication by the Nangarhar Provincial Shura, and the establishment of the Nangarhar Drug Unit are positive steps taken regionally toward poppy eradication. Poppy cultivation increased in the areas under control of the Taliban (a group originally composed of religious students seeking national unity). Several tribal Shuras and Afghanistan-based NGOs have requested funding for counternarcotics programs. The lack of an effective nationwide central government with an administrative infrastructure precludes direct assistance to the authorities in Kabul.

During 1995, DEA initiated training programs for the Jalalabad police, US officials in Pakistan and from Washington engaged in direct dialogue with the Nangarhar Shura, and through intermediaries established indirect dialogue with Taliban leaders, who continue to express interest in poppy eradication combined with alternative development projects. State's Bureau of International Narcotics and Law Enforcement partially funded the continuation of a UNDCP project, and an American NGO based in Quetta, Pakistan began a small NAS-funded agricultural project in northern Helmand Province.

The prognosis for an early significant reduction in Afghanistan's poppy crop is bleak. Absent the return of an effective central government and increased infusions of foreign developmental assistance, farmers will continue to eke out an existence growing opium because they see no alternatives offering the same income.

### II. Status of Country

According to US Government satellite surveys, nearly 39,000 hectares of land were under poppy in the 1994/95 season. Afghanistan's porous borders with Pakistan, Iran, and Central Asia, combined with its rugged topography have made this region an ideal candidate to become one of the main narcotics trafficking areas in the world. Since little remains of Afghanistan's banking and commercial structure, its war-torn economy does not have the capacity to accommodate sophisticated money laundering schemes. While provincial leaders usually deny the existence of heroin processing laboratories in Afghanistan, major shipments of precursor chemicals are reputed to enter Afghanistan from Central Asia via the borders at Termez, Uzbekistan, and Torgundi, Turkmenistan, from where they are shipped to heroin refineries in Afghanistan or Pakistan. Heroin base and morphine are smuggled out of

Afghanistan and into the international market by sophisticated Pakistani trafficking organizations operating out of Quetta, Pakistan. These groups place orders with the Afghani processors and arrange for transshipment of the drugs from Afghanistan through Pakistan and to Iranian or Turkish buyers who move it through Iran and into the international market. Some reports indicate that Iranian vigilance and aggressive actions against traffickers have made Iran an increasingly difficult route. This may make Central Asia or Pakistan more attractive alternatives for traffickers. Most Afghan opium is destined for processing into heroin in Turkey. The finished heroin is sold primarily in Europe, and to a lesser extent, in the US

According to anecdotal reports from two districts in northern Helmand, there was a notable decrease in poppy planted in 1995 for 1996 harvest. This is believed to be the result of expanding markets for cereals in the regional centers of Gerishk, Lashkar Gah, and Kandahar. The relatively high wheat prices approach the presently depressed net return of opium. More anecdotal evidence attributes a weakened opium market to large stockpiles of opium accumulated over the past year. Unfavorable weather and plant diseases also adversely affected opium cultivation.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** The absence of a real national government in Afghanistan continues to prevent meaningful country-wide counternarcotics initiatives. The National Drug Strategy proposed by the Kabul government in 1993 is no closer to implementation now than then.

**Accomplishments.** There are no reliable indicators of significant accomplishments on a national level. Illicit cultivation has increased. In the absence of an accepted central government, production, distribution, trafficking, and the financial structure underpinning the drug trade were not curbed in any form. Afghanistan does not currently engage in measurable legal or political activities to dismantle the trade in illicit drugs, including hashish, or precursor chemicals. Anecdotal information indicates a growing drug addiction problem in Afghanistan. There are reports of local-level demand reduction activities.

A bright spot was the significant opium eradication in Nangarhar Province. The opium eradication project of Governor Haji Qadir gained momentum, with 13,300 hectares of opium eradicated from the 1994-95 crop, according to UNDCP sources. USG surveys of the province indicate a net cultivation decline (on a smaller base than recognized by UNDCP) from last year of 2,650 hectares, or 22 percent. Frequent contact between embassy officials and the Nangarhar Shura maintained open lines of communication, including one visit exclusively dedicated to inaugurating the Nangarhar Drug Unit.

Statements by Taliban leaders (who control Helmand, Kandahar and Oruzgan provinces--jointly responsible for 75 percent of estimated cultivation) over the last year raised expectations that the movement would actively eradicate poppy cultivation and punish offenders in areas under

their control. In fact, opium poppy increased in Taliban-held areas of Afghanistan. Taliban representatives continue to advocate a ban on opium poppy--but only with alternative crops and development projects.

**Law Enforcement Efforts.** DEA initiated INL-funded training programs for the Jalalabad Police Force in Nangarhar province. There are over 700 NGOs in Afghanistan, only a handful of which appear to be both interested in and capable of formulating credible counternarcotics projects.

**Corruption.** Most Afghan factions publicly condemn the illicit cultivation of narcotics. There is no evidence that the government in Kabul actively encourages or facilitates the illicit production or distribution of narcotic drugs. Reports circulate of direct involvement of some leaders, particularly smaller independent "commanders," in narcotics production and trafficking, as well as of indirect involvement by others who are paid to provide security to the narcotics trade. The USG is unaware of any law enforcement efforts undertaken during 1995 to prevent or punish drug-related official corruption.

**Agreements and Treaties.** Afghanistan is a party to the 1988 UN Convention and the 1961 UN Single Convention on Narcotic Drugs, but not to its 1972 Protocol. It is also a party to the 1971 UN Convention on Psychotropic Substances. Because there is no effective national government, regional cooperation to achieve the goals and objectives of these conventions is virtually non-existent. Due to the lack of an effective national government, there is no bilateral narcotics agreement.

**Cultivation and production.** US Government survey figures show a 33 percent increase in opium cultivation from 29,180 hectares to 38,740 and a 32 percent increase in opium production, from 950 to 1250 metric tons in 1995. These figures, however, include production from two new cultivation areas, Helmand South and Helmand West, first identified in 1995. If the areas were in fact producing in prior years, the percentage increase is less, although all areas with the exception of Nangarhar show an increase. UNDCP estimates show a decrease from 71,000 hectares yielding approximately 3,300 mt to 53,000-55,000 hectares having an estimated yield of 2,200 to 2,400 mt of dry opium, about the same level of cultivation as Burma. USG sources do not support the methodology used in UNDCP estimates. The major opium poppy regions of Afghanistan are Nangarhar and Helmand, which account for nearly 85 percent of Afghanistan's yield. Badakhshan in the northeast registered an important increase in opium production from 22 to 61 tons, perhaps the result of local demand combined with the attraction of high prices from markets in Tajikistan and neighboring countries of Central Asia.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** Given the limited mandate of the Kabul Government, which controls five (only one of which is a significant producing area) out of the thirty-two provinces, direct US counternarcotics programs in Afghanistan will be largely limited to cooperation with local regional organizations within the country. Due to the enormous need for reconstruction assistance following 18 years of war, however, local

bodies are apt to be very cooperative in accepting and applying local poppy bans associated with assistance. Despite current conditions, the magnitude of the illicit trade and traffic in narcotic drugs requires a concentrated focus by the international community.

USG counternarcotics goals and objectives for Afghanistan include:

- reducing production of opium in Afghanistan;
- reducing the refining of opium;
- controlling the smuggling of morphine base through Pakistan and Iran to the sea and from Afghanistan through the newly independent central Asian states; and,
- collecting reliable information about narcotics and narcotics trafficking in Afghanistan.

These objectives will be facilitated by:

- promoting regional collaboration with the central Asian countries to interrupt the flow of precursor chemicals;
- expanding DEA-conducted law enforcement training in Afghanistan;
- conducting frequent and direct talks, as security permits, with Taliban and other regional leaders on narcotics control; and,
- encouraging NGO and donor nations, particularly Europeans, to develop and implement credible development projects in the largest opium producing provinces. The second and last phase of USG-sponsored agricultural projects in Kandahar province will be completed by the end of December 1995.

The American NGO Mercy Corps is continuing to expand alternative crop agricultural projects in northern Helmand. The USG contributed \$100,000 to this project in FY-94. Since 1990, the USG has pledged \$1.8 million to counter-narcotics programs in Afghanistan, most of it through the UNDCP.

**The Road Ahead.** Eliminating the further expansion of opium poppy cultivation and reducing cultivation below the current level are our highest priorities. The USG must work through the UNDCP and reputable NGOs to provide what limited counternarcotics programs are possible under current conditions in Afghanistan. If the Nangarhar Shura's anti-drug unit proves an effective deterrent to future poppy cultivation, the US and the international community should encourage its replication by other tribal shura in opium producing provinces. DEA will expand its training programs in law enforcement, investigations, chemical identification, and judicial procedures throughout Afghanistan as soon as feasible. The United States Information Service should continue its outreach programs while the USG continues to engage in dialogue with the political/military factions concerning the dangers inherent in uncontrolled narcotics production.

## Statistical Tables

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>OPIUM</b>							
Potentially Harvestable	[ha]	38,740	29,180	21,080	19,470	17,190	12,370
Eradication	[ha]	*	-	-	-	-	-
Cultivation	[ha]	38,740	29,180	21,080	19,470	17,190	12,370
Potential Yield**	[mt]	1,250	950	685	640	570	415

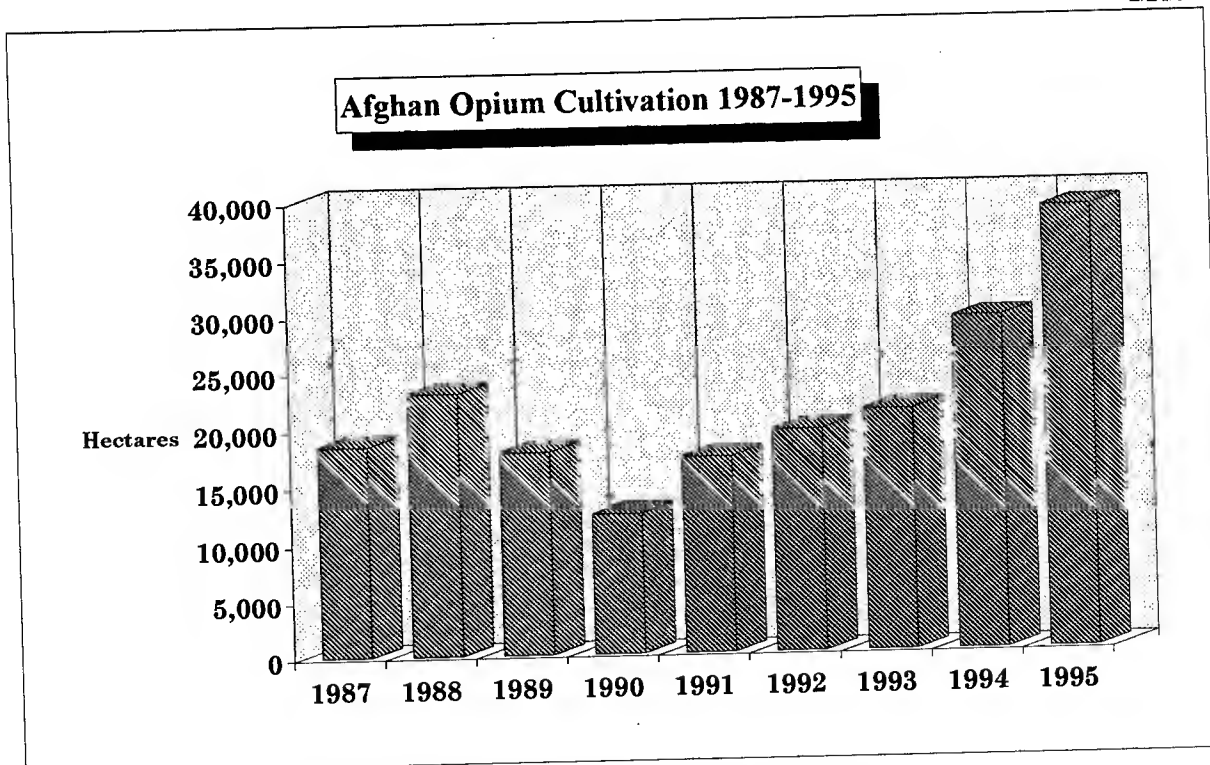
### Refining, Seizures and Arrests /a

(a) No information concerning heroin or hashish refining, or drug seizures and arrests, is available

\* Although USG observers witnessed part of an eradication campaign in Nangarhar Province, the full extent of eradication is unknown.

\*\* DEA believes, based upon foreign reporting and human sources, that opium production in Afghanistan may have exceeded 900 mt in 1992 and 1993.

2/24/96



## BANGLADESH

### I. Summary

The use of Bangladesh as a narcotics transshipment point may be increasing. The Government of Bangladesh (BDG) seeks to stem the flow of narcotics across its borders and within the country. However, because of serious resource constraints and poor intra-governmental coordination, these efforts are largely ineffective. Bangladesh is a party to the 1988 UN Convention and the 1990 South Asian Association for Regional Cooperation (SAARC) Convention on Narcotic Drugs and Psychotropic Substances and has strict laws against producing, trafficking, or using illicit drugs; however we are unaware if money laundering legislation has been enacted. Bangladesh has also signed protocols calling for increased bilateral narcotics cooperation and has worked toward better coordination and enhancement of counter-narcotics capabilities within SAARC. There is no extradition treaty between the US and Bangladesh. Possible official corruption appears to be limited to border areas and related to the smuggling of "brown sugar" heroin.

### II. Status of Country

Bangladesh's borders with Burma and India and its air and sea links to Pakistan make it a potential narcotics transshipment point. Modest-to-poor detection and interdiction capabilities make Bangladesh's position vis-a-vis the trafficking of narcotics difficult. Without increased government attention Bangladesh could possibly become a more active transshipment point for narcotics. The Department of Narcotics Control (DNC), formed in 1990, is the chief BDG agency charged with combatting narcotics. In 1994, the United Nations Drug Control Program (UNDCP) instituted a five-year, \$1.9 million program to enhance Bangladesh's narcotics control effort. The plan includes provisions for improving compliance with the 1988 UN Convention and the 1990 SAARC Convention on narcotics and for enacting legislation on asset forfeiture, controlled delivery, extradition, and international cooperation.

There has been no accurate accounting of drug use and abuse in Bangladesh. The BDG continues to estimate that there are approximately 100,000 heroin addicts. However, with the country's extreme poverty, large young-adult population, and high rates of unemployment, the actual number is probably much higher. Bangladesh's small anti-drug community refers to "increasing" drug problems, especially with heroin and other opium derivatives. The largest area of concern involves increased use of low-grade "brown sugar" (No. 3) heroin. However, a significant portion of the BDG's interdiction efforts goes into tracking phensidyl, a codeine-based cough syrup that is a popular illicit substance in Bangladesh.

### III. Country Action Against Drugs in 1995

**Law Enforcement Efforts.** The 1990 Narcotics Control Act established the DNC as the agency responsible for enforcement of provisions prohibiting production, trafficking, and use of narcotics, and it provided strict

penalties for violators. Since its formation, the DNC has been hampered in its efforts by insufficient human and material resources. As of December 1995, for example, the agency had filled only about 800 of the 1274 positions allotted to it.

Lack of coordination among the various government agencies sharing responsibility for narcotics control, such as the police, border patrol forces, Customs, and the judiciary, has exacerbated resource problems. Perhaps the most illustrative example of this deficiency is in the area of information sharing. Because DNC, Customs, and the police have no systematic method of exchanging information and compiling data, routine tasks such as tabulating seizures on a monthly basis become complicated. As a result, monthly reports from each of these organizations tend to be non-comprehensive and only partially reliable.

DNC records indicate narcotics seizures in 1995 increased from the previous year. Most seizures were small quantities of "brown sugar" heroin, locally grown cannabis, and codeine-based cough syrup manufactured in India. In May, DNC officials seized four 500 ml bottles of liquid heroin smuggled into the country from Pakistan via India. This was the first known seizure of liquid heroin in Bangladesh. Law enforcement officials detected no major trafficking schemes in 1995.

DNC also reported an increase in seizures of a new injectable opiate, popularly known as tedegesic (buprenorphin), which is manufactured in Madras, India. There are indications that the declining purity of heroin is making tedegesic, which is stronger by the dose and cheaper than both phensidyl and heroin, increasingly popular among drug users.

Since DNC does not maintain records or monitor the prosecution of narcotics cases, figures on the legal status of those arrested are not available.

**Money Laundering.** DNC officials say there was no movement in 1995 on a proposal made in 1994 to amend the Narcotics Control Act to encompass money laundering, extradition, and controlled delivery. Provisions for court-ordered examination of financial records or confiscation of assets have been largely ineffective due to detailed burden of proof requirements that discourage poorly trained law enforcement officials from pursuing that avenue during investigations.

**Demand Reduction.** The BDG has taken some steps to promote drug awareness and to make demand reduction a higher priority. Efforts have included anti-drug campaigns involving public meetings, production of television and radio announcements against drugs, and publication of books and pamphlets on the dangers of drug abuse.

The UNDCP plan for Bangladesh includes elements that focus on demand reduction and treatment. The UNDCP program enjoys solid support of the DNC and other BDG entities, but progress in implementation has been slow.

#### **IV. US Policy Initiatives and Programs**

The primary narcotics-related US interest in Bangladesh is in assisting the BDG to prevent Bangladesh from becoming a major transshipment point for heroin. To accomplish this, the USG seeks to increase awareness of the threat of narcotics within Bangladesh and to strengthen BDG agencies

responsible for narcotics prevention and interdiction. To fulfill these goals, the USG provides training and equipment support to the DNC and the Coast Guard.

In 1995 the United States sent the Director General of the DNC to a senior-level DEA Seminar. The USG also sent a mid-level customs officer to a drug enforcement seminar. The DNC Director of Operations attended a conference for police chiefs. The US and Bangladesh have forged a strong working relationship that affords a high level of cooperation in selecting qualified applicants for training.

On August 15, 1995, the United States and Bangladesh signed a Letter of Agreement for FY 95 narcotics control assistance for \$26,000, of which \$14,000 was designated for DNC, with the remainder going to the Coast Guard. Most of the funds are for communication equipment, especially radios.

DEA, through its office in New Delhi, provides advice and operational support to the DNC. The US Information Service also sponsors drug abuse awareness seminars and administers some US-based training programs attended by BGD officials.

**The Road Ahead.** In concert with other donor countries, the United States will continue to press the BDG to improve its intra-governmental communication and coordination efforts and focus resources on improving airport, border, and seaport interdiction.



## INDIA

### I. Summary

India is an important producer of both licit and illicit narcotics and a crossroads for international narcotics trafficking. It is the world's largest producer of licit opium and the only producer of licit gum opium. An unknown quantity of opium is diverted from the country's legal production and there is illegal poppy cultivation as well. Located between the two main sources of illicitly grown opium, the Golden Triangle (Southeast Asia) and the Golden Crescent (Southwest Asia) regions, India is also a transit point for heroin. The Government of India (GOI) has made significant progress in controlling the production and export of narcotics precursors produced by India's large chemical industry. However, there are some unauthorized exports of essential chemicals and of methaqualone (mandrax), a popular drug in Africa. The GOI has a cooperative relationship with DEA, and maintains a constructive high-level dialogue with the US through annual meetings of a Narcotics Joint Working Group. Authorities have had limited success in prosecuting major narcotics offenders because of the lack of enforcement funding and weaknesses in the intelligence infrastructure.

India has taken a number of important steps to curtail the diversion of licit opium but diversion remains a significant concern. The GOI has not agreed to US requests to undertake a comprehensive joint opium yield survey, which would provide a firmer scientific basis for the GOI to set minimum qualifying yields for farmers. However, in November GOI officials did share the results of their own surveys with US officials. Controls instituted on acetic anhydride (AA), used to process opium into heroin, have begun to restrict access. India met formally several times in 1995 with Pakistan to discuss narcotics matters and is committed to continuing consultations in 1996. Although these meetings have produced limited results, they are an important step toward much-needed regional narcotics cooperation. India has also met with Burmese officials along the border.

India is party to the 1988 UN Convention, but has not yet enacted supporting legislation on asset seizures or money laundering; this leaves its law enforcement agencies without important tools to achieve fully the Convention's goals.

### II. Status of Country

India is the world's largest producer of legal opiates for pharmaceutical purposes, and the only country that still produces gum opium instead of concentrate of poppy straw (CPS). Opium is produced legally in the states of Madhya Pradesh, Rajasthan, and Uttar Pradesh. In 1994, the GOI was unable to fill pharmaceutical companies demands for opium due to an inaccurate inventory of opium stocks; shortages resulting from 1994 shortfall continued during 1995 because the opium crop did not meet projections. At the end of 1995, the Controller of the Factories estimated only 5-10 mts remained in stock until the next harvest.

In its attempt to meet anticipated 1995 demand, the GOI increased licensed acreage by 70 percent, to 25,215 hectares, for the 1994-95 crop year. While the GOI increased authorized cultivation for the 1995-96 crop year slightly--to 26,200 hectares--the GOI now estimates that, due to drought conditions, 1995-96 production might be only 700-800 mt (90 percent solids, or commercial weight) which would mean that 1996 may also have a shortfall.

While criminal elements produce semi-refined heroin from both diverted legal opium and illegally grown opium, no reliable data on the extent of this production exists. Poppies are grown illicitly in the Himalayan foothills of Kashmir and Uttar Pradesh, and in northeast India near the Bangladesh and Burmese borders in the states of Manipur, Mizoram, Nagaland, and Arunachal Pradesh. Diverted opium is consumed domestically and processed for export. Heroin base (No. 3 or "brown" heroin) is the domestic drug of choice, except in the northeast state of Manipur where intravenous injection is most common. Needle sharing from the intravenous use of Southeast Asian heroin has spread the AIDS virus. Brown heroin, presumably from India, is readily available in Nepal, Bangladesh, Sri Lanka, and the Maldives.

India produces AA for legitimate consumers, such as the tanning industry, but a significant quantity is estimated to be diverted to heroin labs throughout southern Asia. GOI controls on AA, imposed in 1993, are reducing availability of this chemical.

India is also a transit route for illicit heroin and morphine base from Afghanistan, Pakistan, and Burma. There are no statistics available for the amount of Indian-origin heroin that enters the US, but it is not believed to be significant. A high level of trafficking in Indian-produced methaqualone to southern and eastern Africa continues.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** An intergovernmental committee has been formed to draft money laundering legislation, but the work is still at a very preliminary stage.

**Accomplishments.** The Central Bureau of Narcotics (CBN) and the Narcotics Control Bureau (NCB), responsible respectively for coordinating licit and illicit drug control policies, have sought to reduce trafficking. In 1995, the GOI took a further steps to discourage the diversion of licit opium to the illegal market:

- For the fourth consecutive year, the GOI raised the minimum yield of opium that licit farmers must deliver to the government in order to retain a license. All farmers will be required to provide at least 46 kgs/ha in the 1995-96 crop year, compared with 43 kgs the previous year. For the 1996-97 crop the GOI is considering raising the minimum qualifying yield (MQY) again, to 50 kgs/ha.
- In 1995, the GOI delicensed 26,739 cultivators for failing to meet the MQY, bringing the total number of government authorized

cultivators to 78,324. In 1994, the GOI delicensed 57,000 cultivators for not meeting the MQY (although some new licenses were given out as well). In Uttar Pradesh, a state where there is believed to be significant diversion, the area under cultivation has been reduced substantially, to only 200 hectares (2,000 cultivators) this crop year.

- Intensive joint patrolling with the police is conducted during the harvesting period.
- Paramilitary and police personnel are deployed at vulnerable points during lancing operations to prevent diversion of licit opium.
- Rewards are offered to persons who provide accurate information about excess cultivation. In addition, for the 1995-96 crop year informers are eligible for a license to cultivate opium poppy. Wide publicity has been given to these incentives.
- Weighing operations are conducted under the supervision of senior officers of the CBN.
- The measurement of the fields is entrusted to the village opium headman assisted by four other cultivators who had the highest yield in the village in the previous year.
- The GOI continued incentives for the most productive farmers for the 1995-96 crop year. Those who produce more than 50kgs/ha for the crop year ending in 1996 will be licensed to cultivate 50 percent more land, and will receive a steadily increasing premium over the base price as yield goes up.
- In 1994, the GOI provided the first reliable physical inventory of its opium stock, which can be used as a benchmark for future measurements. Opium was transferred out of large, open vats and placed in sealed cans to reduce loss from evaporation, make theft more difficult, and prevent future discrepancies between book and physical stocks. The factory controller estimates that as of December 1995, only 5-10 mt remain in stock.
- The GOI is taking further steps to reduce loss from the factories, such as using plastic instead of wooden drying trays, purchasing more efficient drying equipment, and installing state of the art security systems.
- The GOI continues to attempt to find an accurate instrument to measure the moisture content in opium. Meters supplied by the US and Japan proved unsuccessful, but preliminary tests of a meter developed by an Indian research institute have proved promising. Without accurate moisture measuring at the time GOI officials collect opium, the amount of opium available for sale is unknown for several months and it is impossible to determine whether losses are due to evaporation or theft.

Despite these efforts CBN and NCB officials have not always received the budgetary support needed to conduct a strong counternarcotics program. the auspices of the UN and with USG encouragement, counternarcotic officials of India and Pakistan continued the cooperation begun in 1994. Indian and Pakistani officials met three times in 1995 and agreed to speedy exchange of information and contacts. Narcotics representatives also participate in the quarterly meetings between the Indian Border Security Force and the Pakistani Rangers. Few tangible results have yet come out of these meetings but, unless political considerations impede, narcotics officials hope to begin cooperative actions. Periodic meetings with Burmese officials occur along the border, but none has been held in capitals since 1993. As with the bilateral contacts with Pakistan, their greatest significance is to pave the way for more substantive future joint efforts. India also maintains close liaison with other south Asian countries through the South Asian Association for Regional Cooperation (SAARC) drug offenses monitoring desk (SCOMD) in Colombo.

**Law Enforcement Efforts.** Through November 1995, GOI authorities seized 1,069 kgs of opium, compared with 2,256 kgs throughout 1994, and 3,011 in 1993. Heroin seizures of 1,057 kgs (through Nov. 30) compared with 1,011 kgs throughout 1994 and 1,088 in 1993. Indian authorities cite a sharp increase in price of black market opium in the licit growing areas (rps 35,000/kg compared with rps 8,000/kg several years ago) as indication that enforcement efforts have been effective, although GOI officials worry that these high prices may attract opium from Pakistan and Afghanistan. USG information, however, indicates that trafficking levels appear to have held steady over the past several years. The average size of seizures has decreased. Indian officials regard this as a positive sign, indicating the difficulty traffickers face in moving heroin. However, US officials also see the lack of large seizures as indicative of a need for improved narcotics information gathering and analysis, since reports of large shipments continue.

Indian law enforcement agencies made 8,882 narcotics arrests through November 30, 1995, compared with 15,452 throughout 1994, and 13,723 detentions in 1993. Most of the arrested individuals were low-level dealers. We hope to see more cases developed leading to successful prosecution of international traffickers. AA smuggling continues along both frontiers, but GOI evidence indicates that the controls instituted in 1993 continue to work, are driving up black market prices in Pakistan and are being complied with by most producers. As of November 30, the GOI had seized 7,962 liters of AA, compared to 23,855 liters seized throughout 1994 and 19,758 liters in 1993.

In mid-November 1995, a "strike force" of officers from CBN and local police from the Mandsaur district (which accounts for 50 percent of India's annual legal opium yield) searched approximately 50 premises with the following results: destruction of two heroin laboratories and the seizure of 4.8 kgs of heroin, 1.8 kgs of opium, and 225 kgs of poppy straw (these statistics were not included in those cited above).

In Bombay at the end of November 1995, Directorate of Revenue Intelligence (DRI) officers, developing a DEA lead, seized two tons of mandrax tablets, 2.8 tons of methaqualone, and one ton of precursor chemicals. This is one of the GOI authorities largest seizures of mandrax to date.

The GOI has been extremely effective in monitoring production and export of ephedrine and pseudoephedrine (used in the manufacture of methamphetamine) after the USG expressed concerns about the export of these chemicals to Mexico. They have worked in close cooperation with the USG on stopping such shipments. The GOI has also received several commendations from the International Narcotics Control Board (INCB) for its efforts in controlling diversion of psychotropic substances, such as ephedrine, pemoline, and diazepam.

Jurisdictional problems still hinder effective action against traffickers and illegal producers, but there is evidence the GOI is according coordination higher priority. A senior interagency group meets quarterly, chaired by the Director General of the NCB. During 1995, the GOI continued to spend considerable effort in educating state and local law enforcement personnel about narcotics.

In an ongoing attempt to reduce the huge backlog of narcotics cases, the GOI again increased the number of narcotics courts, which handle only narcotics offenses, from 23 in 1993 and 58 in 1994 to 71 in 1995. The USG has no statistics on the number of narcotics traffickers arrested in 1995 who were actually prosecuted.

Indian counternarcotics officers are a small force compared to the size of the country and the level of trafficking. The NCB continues to have only 375 regular employees nationwide. Another primary force, the DRI, which also handles customs duty evasion, has not increased in size either, and employs only 600 employees. In a positive move, the important, long-vacant position at NCB of Deputy Directors General for Enforcement and Coordination were recently filled by an experienced narcotics law enforcement officer. While local and state police participate in counternarcotics efforts, few have the training or the commitment to make narcotics interdiction a priority. GOI efforts to combat trafficking would benefit from more personnel and budgetary support, proportionate to the magnitude of the drug problem.

**Corruption.** Media reports allege corruption among police, government officials, and local politicians in a wide range of governmental activities, but successful prosecutions are rare. Criminal courts release some drug defendants without explanation or on weak legal grounds and false medical considerations. The USG receives reports of narcotics-linked corruption, but cannot independently verify the extent. No senior-level politician or bureaucrat has been accused of narcotics-related corruption.

**Agreements and Treaties.** India is a party to the 1961 UN Single Convention on Narcotic Drugs, its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention, but it has not

yet completed implementing legislation. The US-United Kingdom Extradition Treaty of 1931 governs the extradition of fugitives between the US and India, but the US and India are negotiating a new treaty. Neither country made a drug-related extradition request of the other in 1995.

A memorandum of understanding on demand reduction activities was signed by the US and India in 1994. The US and India signed a narcotics agreement in 1990.

**Cultivation and Production.** India is the world's only source of opium gum for legitimate pharmaceutical use, producing 333 mt in 1993, and 415 mt in 1994, and an estimated 800 mt in 1995 (all measures at 90 percent solid). In 1994, in large part because of prior failure to reconcile book and physical stocks of opium, resulting in vastly overstated figures for its opium stock on hand at the beginning of the year, the GOI signed contracts with pharmaceutical firms to sell more opium than it had available. To make up the shortfall and rebuild stocks, the GOI sharply increased authorized cultivation to 24,000 hectares for the 1994-5 crop year and 26,200 hectares for 1995-6. Pharmaceutical firms were guaranteed priority fulfillment of 1994 contracts from the spring 1995 crop at 1994 prices, but even with the production increase there was not enough opium to fulfill all demand. Due to current drought conditions, the GOI estimates 1995-6 production might be only 700-800 mt (at 90 percent solids), perhaps causing some additional shortfall in 1996.

Unlike other opiate raw material suppliers, which process CPS, India produces opium gum, with a high content of thebaine and other alkaloids essential to certain pharmaceuticals. The GOI completed a preliminary feasibility study on converting some production to CPS to reduce diversion opportunities and concluded that conversion was not economically feasible without financial support, which is not currently forthcoming.

A well-designed crop study would provide accurate data on crop yields and is an important step in establishing appropriate levels of minimum qualifying yield. The data can also be extrapolated to estimate the level of diversion. The USG suggested to the GOI on several occasions that a joint crop survey would be useful. In November 1995, a group of US scientists met with Indian counterparts to discuss avenues of cooperation on yield studies. Although the Indians agreed to incorporate some of the parameters requested by the US scientists in their experiments, they did not invite the US side to take part in or observe any of their field work.

GOI authorities provided copies of the crop surveys it undertook in 1993 and 1994, which the USG had been requesting, at the Joint Narcotics Working Group. The final yield results varied between 39.3 kg/ha in Uttar Pradesh to 57.4 kg/ha in Madhya Pradesh, well below the 65 kg/ha unofficially cited by some Indian officials as a realistic figure. One reason adduced for the difference was that the opium collected in the survey plots had far more moisture than expected, causing usable yield to be overstated.

India also has illicit cultivation, primarily in areas such as Jammu and Kashmir, where GOI control is challenged by insurgent groups. USG satellite surveys in 1995 generated an estimate of 4,750 hectares of illicit poppy cultivation, with an estimated yield of 71 metric tons of opium. This is a decrease from the previous year's estimate of 5,500 hectares yielding 82 metric tons. The USG has provided locational details on illicit poppy cultivation in northern and eastern India over the last several years. In 1995 the GOI advised that they found little poppy cultivation at the sites identified and that the poppy fields they found were reportedly grown for seed and not opium. In July, the GOI established a preventive and intelligence cell in the Uttarkashi area, near Jammu and Kashmir, to detect and destroy illicit poppy cultivation. During the current opium crop season the USG will continue to work with the GOI to identify suspected poppy fields in a timely manner.

**Drug Flow and Transit.** India is a significant transshipment point for heroin from Southwest Asia (Afghanistan and Pakistan), and from Southeast Asia (Burma, Laos, and Thailand). Heroin is smuggled from Pakistan and Burma, with some transshipped through Nepal. During 1995, there have been significant seizures by the Border Security Forces of heroin of Pakistani origin. Of the 30 or so seizures at the New Delhi airport over the past 18 months, all were bound for Europe. While reliable statistics are not available, the amount of Indian origin heroin bound for the US is not believed to be significant. The export of methaqualone, principally to Africa, remains a serious problem, and the GOI is preparing to institute nationwide controls on its sale. The GOI now notifies DEA of any shipment of ephedrine or pseudoephedrine destined for the US, and has agreed not to allow any shipment unless the DEA issues a letter of non-objection.

**Demand Reduction.** No accurate data on the extent of opium and heroin addiction exist. At the Sixth Joint Working Group on Narcotics, GOI officials stated they believed the number of heroin addicts to be about 500,000. The Health and Welfare Ministries, UNDCP, and police groups support treatment and rehabilitation centers. Voluntary agencies conduct demand reduction and public awareness programs under grants from the Indian government but lack both funding and staff. As in recent years, the USG again funded a series of demand reduction training seminars in major Indian cities; three workshops to train drug counselors and NGO workers in Madras, Calcutta, and Cochin; interactive satellite programs on drug abuse prevention, and training in the US for several Indian drug education activists.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** During 1995, the USG continued to work with the GOI to focus more high level attention on and allocate more resources to narcotics control programs, and urged the GOI to update its domestic laws to comply with the obligations of the 1988 UN convention, particularly those related to asset forfeiture and money laundering.

**Bilateral Cooperation.** The USG funds training for enforcement personnel. Relations between DEA and NCB are good, with emphasis on exchange of narcotics enforcement and analytical information. Each year a

Joint Working Group (JWG) on Narcotics is held to discuss policy issues. The 1995 JWG focused on Indian efforts to reduce diversion from its licit opium production, the scope of illicit cultivation and demand reduction activities.

Pursuant to the US-India Narcotics Agreement of 1990, Indian and the US signed letters of agreement in 1992 and 1993 to improve India's interdiction capabilities, and to tighten security at its opium production facilities.

**The Road Ahead.** Having improved factory and inventory security for licit opium, the GOI now needs to focus on minimizing diversion by farmers after harvest. More resources are needed for counternarcotics forces, particularly to combat corruption and to close judicial loopholes. In the coming year, the US will encourage the GOI to pass enabling legislation in support of the 1988 UN Convention; to complete a new extradition treaty with the US; and to identify, prosecute, and convict narcotics traffickers.



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**Statistical Tables**

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>Opium</b>							
Harvestable (illicit opium)	[ha]	4,750	5,500	4,400	-	-	-
Potential Yield (illicit opium)	[mt]	71	82	66	-	-	-
Eradication (illicit opium)	[ha]	-	24,000	25	4	19	24
Harvestable licit cultivation	[ha]		12,500	11,645	13,932	14,247	14,317
Eradication (licit opium)	[ha]		1,500	1,800	68	513	289
Licit cultivation	[ha]	24,000	14,000	13,445	14,000	14,760	14,606
Yield (Licit)	[mt]	800	415	333	495	392	437
<b>Seizures</b>							
Opium	[mt]	1.1	2.3	3.0	1.2	2.1	2.2
Heroin	[mt]	1.100	1.000	1.088	1.034	0.555	2.200
Morphine	[mt]	0.003	0.051	0.040	0.032	0.006	0.01
Cannabis	[mt]	54.6	187.9	97.2	58.9	52.6	39.1
Hashish	[mt]	2.9	7.0	9.6	5.1	4.40	6.40
Methaqualone	[mt]	16.8	45.3	9.9	7.5	-	-
Acetic Anhydride	[mt]	7.96	47.74	22.00	-	-	-
<b>Arrests</b>							
Nationals		8,771	15,316	13,563	12,734	5,317	4,068
Foreigners		111	136	160	116	93	234
<b>Total Arrests</b>		<b>8,882</b>	<b>15,452</b>	<b>12,850</b>	<b>12,850</b>	<b>5,300</b>	<b>4,302</b>
<b>Labs Destroyed</b>							
Heroin		2	3	-	0	5	12
Hashish			-	-	3	-	-
Methaqualone		1	8				
<b>Users (millions)</b>							
Opium		1.0-5.0	1.0-5.0	1.0-5.0	1.0-5.0	1.0-5.0	4.0
Heroin		1.0	1.0	1.0	1.0	1.0	1.0

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Seizures, arrests, and destruction of laboratories statistics are from the Indian Narcotics Control Bureau. 1995 Seizures are for first 11 months only.

2/24/96

## IRAN

### I. Summary

Iran continues to be a major transshipment point for opiates, primarily morphine base and opium, shipped from Afghanistan and Pakistan en route to Turkey, where it is further refined into heroin. Iranian farmers also cultivate illicit opium poppies. The most recent USG estimate in 1993 judged that between 35 and 70 metric tons of opium were produced on 3,500 hectares.

The Government of Iran (GOI) is participating with the United Nations Drug Control Program (UNDCP) and Pakistan in a tripartite agreement that aims to reduce trafficking from Baluchistan, Pakistan to Baluchistan, Iran. It claims to be achieving notable success in its efforts.

### II. Status of Country

While Iran is a producer of opium, local production is assumed to be consumed by addicts in country. It is, however, a major transit route for opiates from the Golden Crescent countries of Afghanistan and Pakistan. Trafficking organizations, often run by Kurdish and Baluch clans, ship the opiates to Turkey for final processing into heroin. The USG remains skeptical about the extent of the counternarcotics drive by the GOI because of the large volume of drugs that arrives in Turkey.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The USG knows of no policy initiatives in 1995.

**Law Enforcement Efforts.** Due to the absence of diplomatic relations between Iran and the US, the USG has limited information on law enforcement counternarcotics measures taken by the GOI. In 1994 (data for 1995 is not available), the GOI claimed in press reports to have seized 130 tons of opiates, a very large quantity. In contrast, 88 tons of opiates reportedly were seized in 1993.

The total number of arrests on narcotics trafficking charges is unknown. However, the USG continues to receive reports from human rights groups and exiles claiming that in some instances narcotics charges appear to be simply a pretense for arresting members of separatist or opposition movements. Many of the traditional trafficking organizations are operated by Kurds and Baluchis; claims that arrested individuals from these groups are traffickers have a high degree of credibility in Iran.

The GOI states it spends at least the equivalent of \$200 million per year on counternarcotics efforts. The USG is skeptical about the accuracy of this claim.

**Corruption.** The USG receives periodic reports that drug-related corruption is common among GOI security and law enforcement personnel. According to these reports, border guards at land borders permit drug caravans or

packages through border crossings, circumventing the 'hardening' of the frontier, especially along the Pakistani boundary. Arrested traffickers are sometimes set free upon payment of a bribe. In the absence of diplomatic relations, the USG continues to lack specific information on the extent to which the GOI has taken legal and law enforcement measures to prevent and punish such corruption. It does not appear that, as a matter of government policy, the GOI encourages or facilitates drug production, distribution, or money laundering. The USG does not have evidence of involvement of senior GOI officials in narcotics activities.

**Agreements and Treaties.** Iran has ratified the 1988 UN Convention but the USG is unaware of the passage of implementing legislation to bring the country into compliance with the requirements of the Convention. Counternarcotics agreements are in place with several countries.

**Cultivation and Production.** The last official estimate conducted by the USG in 1993 indicated opium poppy cultivation on approximately 3,500 hectares, yielding 35-70 metric tons of opium. Some of the opiates transiting Iran are processed into morphine base or heroin by Baluchis in the southeast, and Kurds and Azeris in the northwest.

**Drug Flow and Transit.** Turkey seizes opiates that have transited Iran, some by sealed trucks, others by more primitive means. Ethnic Iranian traffickers in Turkey use their connections to facilitate shipments through Iran. Opiates enter Iran from Afghanistan and Pakistan.

**Demand Reduction.** The USG has no direct information about demand reduction or treatment programs in Iran. Addicts are commonly arrested and treated by 'cold turkey' means. Prison officials claim they offer rehabilitation programs. Press reports put the total number of addicts at two million, but this estimate seems extremely high given the population of the country.

#### **IV. US Policy Initiatives and Programs**

In the absence of USG diplomatic relations with Iran, no narcotics initiatives are planned. The USG continues to encourage regional cooperation among countries in the region.

## NEPAL

### I. Summary

Though Nepal is not a significant producer or consumer of narcotic drugs, heroin abuse has spread beyond the capital of Kathmandu and has become more common among the 15 to 25 age group. Its proximity to Burma and Pakistan and its long border with India make Nepal an alternate route for illicit narcotics transitting Asia to Europe and the U.S., although we have no evidence to indicate it has become a major transit route.

During 1995, the Narcotic Drug Control Law Enforcement Unit (NDCLEU), established by the Government of Nepal in 1993 as part of the Narcotics Master Plan, quickened the pace of Master Plan implementation. Nepal is a party to the 1988 UN Convention, as well as to the 1961 UN Single Convention, and the 1972 Protocol thereto. The USG is not aware that Nepal has any money laundering or asset seizure forfeiture legislation, as called for by the 1988 UN Convention. Nepal has not yet acceded to the 1971 Convention on Psychotropic Substances but the GON has accorded high priority to ratification. The USG knows of no high-level Nepalese officials accused of narcotics-related corruption.

### II. Status of Country

Southwest and southeast Asian heroin is smuggled into Nepal across the open border with India and through Kathmandu's international airport. The number of Nepalese arrested for drug offenses overseas, most commonly in Hong Kong, increased dramatically in recent years indicating both a rise in trafficking and more effective law enforcement efforts. While use of semi-refined 'brown' (No. 3) heroin continues to rise, abuse of locally grown cannabis and hashish, marketed in freelance operations, is more widespread. Recently, an increase in the abuse of licit codeine-based cough syrups and synthetic morphine has been observed.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The GON announced that the NDCLEU will open three regional offices and move its offices to the Tribhuvan international airport.

**Cultivation and Production.** Opium poppies are not cultivated in commercial quantities in Nepal. Detection is complicated by small plantings amid licit crops. Authorities believe all heroin seized in Nepal originates elsewhere. The extent of cannabis cultivation is believed to be substantial. Nepalese cannabis does not have an impact in the U.S.

**Drug Flow/Transit.** Narcotics control security at Kathmandu's international airport is inadequate, facilitating the transit of drugs. The government is aware of this problem and is planning to station NDCLEU at the airport. Law enforcement cooperation among Police, Customs, and Immigration (all

represented on the NDCLEU) has improved. Use of Nepalese as couriers will likely continue due to widespread poverty.

These trafficking efforts appear to be independent of major international trafficking organizations.

**Demand Reduction.** Only anecdotal evidence exists for the number of addicts or drug abusers in Nepal. However, UNDCP is planning a national epidemiological study in 1996 which should provide a better idea of the scope of the problem. Available evidence is that the average age of abusers is declining and that drug abuse has spread beyond the Kathmandu Valley.

During 1995, a list of demand reduction NGOs and community organizations was developed and the GON plan of operations for demand reduction activities in the Master Plan was completed. UNDCP sponsored several workshops and training sessions for government officials and NGO representatives. The government's Demand Reduction Executive Committee was revamped to increase its effectiveness.

**Law Enforcement.** Most seizures of heroin and hashish are made in Kathmandu at the Tribhuvan international airport. A continuing weakness in the GON's law enforcement effort has been the lack of coordination and cooperation between the DLEU and Nepal's Customs, Immigration, and National Police services, but this is improving. The government provided funding for expansion of the NDCLEU to include three field offices, two on the Indian border and one inland, and approved a plan to move the NDCLEU to new quarters at Tribhuvan international airport. Lack of an intelligence wing to analyze narcotics intelligence on drug flows in the NDCLEU and poor coordination with the national forensic laboratory continue to be problems.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives.** The USG works closely with representatives of all relevant institutions and GON agencies to further progress under the UNDCP Narcotics Master Plan and to implement the Narcotics Control Act. In February 1995, the U.S. Customs conducted a counternarcotics training course for Nepalese Customs officials. The USG also works closely with other donor nations (primarily via the Kathmandu Mini-Dublin Group). The U.S. does not have a bilateral narcotics agreement nor any law enforcement treaties with Nepal.

**Road Ahead.** The USG plans to continue to improve operational and training programs with the NDCLEU as well as support activities related to demand reduction and rehabilitation.

## PAKISTAN

### I. Summary

Pakistan remains an important producer of, and a major transit country for, opiates and cannabis destined for the international market. In the 94-95 crop year Pakistan produced about 155 metric tons of opium from about 6,950 hectares of poppy. The Government of Pakistan (GOP) made some important counternarcotics progress in 1995. Pakistani authorities arrested two major narcotics traffickers, Khawaja Majeed and Sialik Jan. Majeed was expelled to the United States. Sialik Jan's case is still before the court. In addition, the Anti Narcotics Force (ANF) arrested and prosecuted a member of the Prime Minister's ruling party in the national assembly on drug charges. The ANF reports significant increases in amounts of narcotics and precursor chemicals seized in 1995.

The ANF also continued to make progress on seizing the assets of known drug traffickers, such as Haji Ayub Afridi, although none of the cases is yet completed. In addition to the expulsion mentioned above, three extraditions of accused narcotics traffickers took place, including one drug kingpin. The government of the Northwest Frontier Province (NWFP) conducted a raid against drug processing facilities in its Khyber agency in January of 1995. The 1995-96 poppy enforcement plan significantly expands the area in which opium production is banned in the Northwest Frontier Province (NWFP). The ANF upgraded its demand reduction division and created an expanded program. Its Narcotics Control Division (NCD) completed a counternarcotics master plan for Pakistan, which calls for elimination of opium production and a drug-free Pakistan by the year 2000.

Although 1995 was a good year for Pakistani counternarcotics achievements, shortcomings remain. Pakistan has not yet converted its comprehensive drug ordinance, an executive decree promulgated in January 1995, into a law, although it has drafted legislation to do so. After more than a year of discussions with Indian authorities, no concrete anti-narcotics cooperation has been undertaken between the countries. Plans to expand the ANF with high quality recruits have not yet been implemented, due to opposition by the government bureaucracy. Extradition from Pakistan to the United States of five additional narcotics fugitives already in Pakistani custody has been delayed.

### II. Status of Country

Pakistan is a significant producer and transit country for opiates and cannabis products, producing about 155 metric tons of opium in the 1994-95 crop year. Intelligence information and seizures indicate that considerable amounts of Afghan opiates and cannabis products are either consumed in Pakistan by its significant addict population, or pass through on their way to world markets.

Morphine base is produced in the tribal areas of the NWFP for refining abroad, and heroin is produced for domestic use and export. Political instability in the NWFP limits the GOP's ability to take action against producers and refiners of narcotics in Khyber Agency. Pakistan is a party to the 1988 UN Convention.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The NCD has produced an anti-narcotics master plan for Pakistan, which provides a strategy to completely stop opium production and make Pakistan drug free by the year 2000. The ANF has made significant progress in twelve asset seizure cases against major narcotics traffickers, notably that of Haji Ayub Afridi. The comprehensive anti-narcotics ordinance is now being revised with help from the UNDCP and Dublin Group to permit its passage as a permanent law.

The 1995-96 poppy enforcement plan significantly expands the area where opium production is banned in the NWFP. For the first time virtually all of Mohmand Agency, except for a small area of the upper Umbar Valley, is now under poppy cultivation ban. In Dir Agency, 80 percent of poppy growing areas are now under ban, including for the 1995-96 crop, the major production centers of Nihag and Tormang Valleys. In Bajaur Agency, 50 percent of Salarzai, 30 percent of Charmang, 30 percent of Barang and 20 percent of Arang valleys are now under ban. The Pakistani government has provided increased resources to local enforcement officials to enforce poppy elimination in the newly included areas. Evidence exists, however, that poppy cultivation is recurring in some previously cleared districts and strong action needs to be taken to eliminate such cultivation. The GOP did conduct a major eradication campaign in early 1995, eradicating over 1600 hectares. In January of 1995 the government conducted a major raid against narcotics refining centers in Khyber Agency. This resulted in no significant arrests, but demonstrated the government's ability to combat narcotics refining in the tribal areas. There were no further raids against narcotics refineries in the tribal areas during 1995.

**Accomplishments.** In 1995 the Pakistani government rendered four individuals to the United States to face drug charges, including a drug kingpin, Iqbal Baig, and two of his lieutenants, Anwar Khattak and Tariq Butt. The government has devolved authority for demand reduction efforts to the provincial level to facilitate coordination and delivery of such programs. Pakistan has greatly expanded its demand reduction program, in particular its drug awareness campaign.

The GOP made considerable progress in its pursuit of asset seizure cases in 1995. The 1994 INCSR reported that the GOP filed 12 new asset seizure cases in 1994. In January 1995 it froze the assets of seven important traffickers, whose assets were valued at about \$70 million. Haji Ayub Afridi and his relatives challenged the asset seizure in the courts and have lost the challenge at each level thus far, but all challenges have not been exhausted. DEA Headquarters attributes Afridi's surrender to USG authorities, in part, to the fact he no longer had access to many of his assets. Moreover, the Director General of the ANF recently announced that his agency has now frozen the assets of a total of 21 drug traffickers valued at \$200 million. Recent additions include the assets of Sakhi Dost Jan Notezai, in jail pending a sentence on major trafficking charges.

Pakistani authorities also conducted a major opium poppy eradication campaign against the 1994-5 crop in early 1995. Over 1600 hectares were

eradicated. According to USG estimates, cultivation dropped to 6,950 hectares from 7,270 in 1994. Some recidivism did occur in previously cleared areas. For the 1995-6 crop year the government provided significantly more tools to political agents in poppy districts. These include funding additional local levy positions, allocating funds for stipends to tribal elders and a "secret service" fund.

Pakistani authorities also conducted a successful controlled delivery of acetic anhydride (AA), an essential precursor chemical, in concert with the British. Major players were arrested in both countries.

No progress was made in resolution of the case of the major trafficker Sakhi Dost Jan Notezai. The court has been prevented from announcing the verdict by appeals filed by his lawyer, up to the level of the Supreme Court. This case illustrates the ability of influential drug traffickers to drag out the judicial process to their benefit.

**Law Enforcement.** Pakistani authorities arrested two major traffickers for whom the USG had outstanding extradition requests in 1995, one of whom was turned over to the USG. The extradition proceedings against the other have yet to be heard in court. In addition, the ANF arrested a member of the National Assembly (MNA) and a former member of a provincial assembly, both of whom were prosecuted despite political connections. The MNA is presently out on bail and is still serving in the national assembly. Data prepared by the NCD indicate that in the first nine months of 1995 Pakistani law enforcement agencies seized 213 mt of opium, 17 mt of heroin, 478 mt of hashish and 5496 liters of AA, an essential precursor chemical for the processing of opium into heroin. Even these partial figures show substantial increases over the final figures for 1994. Opium seizures increased 1385%, heroin 170%, hashish 269%, and acetic anhydride 110%. Figures for the first nine months of 1995 from the same source show 39,919 drug arrests, compared to 54,135 in all of 1994. Final drug arrest figures may show a decline in 1995.

The ANF's efforts to expand were slowed by resistance from the bureaucracy to removal of tainted former Pakistan Narcotics Control Board (PNCB) officers and hiring of new officers based on merit. The PNCB, a predecessor organization to the ANF, was considered extremely corrupt. The Pakistani government provided land for new regional ANF stations early in the year. The Pakistani army continues to supply high quality officers on loan to the ANF, as well as transportation, communication, and air assets.

**Corruption.** The USG is unaware of any senior Pakistani official who engages in or facilitates the production or distribution of narcotics, but occasional accusations continue to surface that such officials have condoned trafficking. Sufficient legislation exists to control and punish public corruption, but these laws seldom have been enforced. The 1995 arrest of a member of the National Assembly indicates that while some senior politicians or officials may indeed be involved, the GOP can take action against drug-related corruption.



**Treaties and Agreements.** Pakistan is a party to the 1961 UN Single Convention on Narcotic Drugs, which it ratified in 1965, but not to the 1972 protocol amending it. It is also party to the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention, which it ratified in October 1991. Extradition between the United States and Pakistan takes place under a treaty signed between the US and the United Kingdom in 1931, made applicable to India in 1942 and the terms of which Pakistan accepted at independence. Pakistan is participating in a UN-sponsored program to cooperate with Iran and Afghanistan to control drug smuggling from Afghanistan to the Arabian gulf.

**Drug Flow and Transit.** Afghan opiates and cannabis flow in large quantities through Pakistan. While there are no hard data to quantify the traffic, substantial amounts of morphine base have been identified moving from southwestern Afghanistan through Pakistan's Baluchistan Province to the Arabian sea for transport to refineries in Turkey. Most of these opiates are loaded either in Karachi or off the Makran Coast of Baluchistan. Another trafficking route moves opium and refined products from eastern Afghanistan through Pakistani Baluchistan and Iranian Baluchistan into southeastern Turkey. Additional opium from Afghanistan is transported to the NWFP, where it, along with Pakistani-grown opium, is processed into heroin for local and international markets. Pakistani/Afghani heroin is also transported to India.

Pakistanis have been arrested in Saudi Arabia and the Gulf States for narcotics trafficking. A press report indicated that two Pakistanis were recently arrested in China for drug trafficking. There are regular arrests of Nigerians and other West Africans in Pakistan attempting to traffic in heroin.

Essential chemicals for heroin production enter Pakistan in relatively small lots from India via train and cross-desert caravans, as well as from Europe through the port of Karachi. Significant shipments of AA have reportedly been intercepted recently in central Asia destined for Afghanistan, possibly for use in heroin refineries along the Pakistani border. Pakistan's controls over its single licit AA factory are good, but it has trouble identifying illegal shipments passing through the port of Karachi.

**Demand Reduction.** Pakistan has a substantial drug abuse problem. A 1993 UN study indicated that Pakistan at that time had about 3 million addicts of all kinds, 1.5 million of whom are heroin addicts. At the time of the study, most heroin addicts smoke the drug, but follow-up studies have identified growing numbers of needle users in large cities. The GOP plans a new drug abuse study in 1996 to obtain more current data. Public efforts against drug addiction are limited to detoxification without any follow up treatment. Private clinics use a variety of treatment methods against addiction but relapse rates are high for all treatment methods.

The ANF expanded its Drug Demand Reduction Directorate (DDRD) in 1995. This new organization has expanded demand reduction activities, particularly in the public awareness area. For the first time Pakistan's religious leaders are being educated about drug abuse and

included in demand reduction efforts. The Directorate also has made agreements with all four Pakistani provinces to permit provincial demand reduction programs coordinated by the Directorate. The Directorate asked for and received a one-year extension of the UN's Integrated Drug Demand Reduction Program (IDDRP) to continue cooperation with the United Nations on demand reduction. Demand reduction is an integral part of Pakistan's five-year master plan for drug control.

#### **IV. US Policy Initiatives.**

**Policy Initiatives.** The US Government's 1995 objectives were: to move GOP toward more rigorous implementation of its own drug laws and toward active support of US and international anti-drug laws and measures; to assist establishment of a law enforcement program for the NWFP to permit provincial authorities to enforce the poppy ban and eradicate poppy crops; to have the GOP expand the poppy cultivation ban in the NWFP; to continue funding to build roads in Mohmand and Bajaur to permit poppy ban extension and enforcement; to encourage the GOP to pass a comprehensive drug act that would bring it into compliance with the 1988 UN Convention; to establish a program of cooperation on anti-narcotics issues between the US Department of Defense and the ANF; and to support demand reduction in Pakistan through funding the UN's IDDRP.

**Bilateral Cooperation.** The USG has a \$2.5 million program in support of counternarcotics activities in Pakistan, the same amount as in the previous two years. The amended Letter of Agreement (LOA) signed with the GOP in 1995 provided \$1.9 million in direct counternarcotics assistance. The assistance supports three primary programs: law enforcement, poppy crop elimination, and demand reduction. The law enforcement program provides equipment and support for the expanding ANF, Customs, Border Security Forces and Coast Guard to enable them to communicate and carry out their functions more efficiently. The USG continues to concentrate on those items of equipment that most enhance the ability of units to pursue investigations. The USG also provided training and executive observation programs not included in the LOA. The focus of training in 1996 will be internal affairs investigations and operations, management skills and efforts to strengthen the Pakistani counternarcotics school.

In earlier years, funds for poppy crop elimination in the growing regions of the NWFP were effectively supplemented by USAID development funds. Implementation of the Pressler Amendment resulted in the cutoff of AID assistance, which resulted in much reduced funding (all from the counternarcotics appropriation) for alternative development guidance. The current program focuses on providing roads into isolated, poppy growing valleys, thereby enhancing political and law enforcement control.

During 1995, US demand reduction activities focused on support of the ANF's new demand reduction unit and the extended IDDRP program. In addition to funds and programs paid for from the Pakistan country program, the INL central training fund conducted two train-the-trainer type workshops in Pakistan, enhancing the skills of participants.

**Road Ahead.** The USG plans to expand training for ANF, Customs, Coast Guard, and the Border Forces on basic narcotics police operations. In addition, the USG plans to focus on training and equipping an Internal Affairs Division for the ANF, to identify and remove corrupt narcotics officers. The area development projects in the NWFP will continue, looking to complete operations within the next two years. The ANF's Demand Reduction Directorate and the IDDRP will both be supported in their expansion of demand reduction activities. The USG will continue to press Pakistan for action against the heroin refineries in the NWFP, and to convert the comprehensive narcotics ordinance into law.

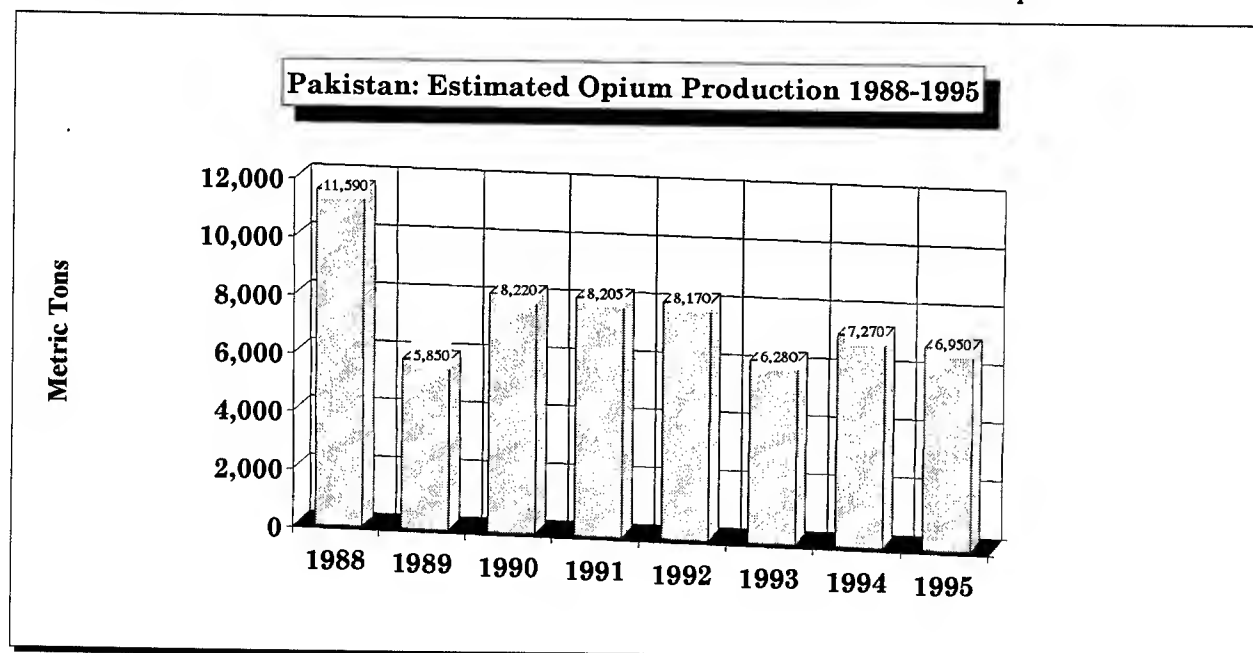
PAKISTAN 1996 INCSR

Statistical Tables

TABLES for CY

		1995	1994	1993	1992	1991	1990	1989
<b>OPIUM</b>								
Potentially Harvestable	[ha]	6,950	7,270	6,280	8,170	8,205	8,220	5,850
Eradication	[ha]	0	463	856	977	440	185	810
Cultivation	[ha]	6,950	7,733	7,136	9,147	8,645	8,405	6,660
Theoretical Potential Yield	[mt]	155	160	140	175	180	165	130
<b>Seizures</b>								
Opium	[mt]	213.22	14.36	4.40	3.4	5.9	8.2	6.0
Heroin	[mt]	16.72	6.20	3.9	2.9	5.7	6.4	8.5
Hashish/marijuana	[mt]	478.02	178.29	189	188	237	241	106
Labs destroyed		19	18	13	11	18		
<b>Arrests</b>								
	persons	39,919	54,135	39,763	45,984	46,041	38,645	54,041
<b>Users (thousands)</b>								
Opium/heroin	persons	1,716	1,080	1,080	1,080	1,080	1,080	1,200
Other Cannabis	persons	933	1,000	1,000	1,000	1000	580	580
Other Drugs	persons	361	50	50	50	50	50	50

Figures for 1995 are through September only. Other years are full year.  
User data has been corrected to reflect results of a survey conducted under UNDCP auspices.



## **SRI LANKA**

### **I. Summary**

In 1995 Sri Lanka made progress in implementing its narcotics master plan and continued to play a strong regional role in counternarcotics cooperation. A comprehensive counternarcotics legislative package was redrafted and readied for presentation to Parliament in early 1996. A substantial increase in cannabis eradication and seizure occurred; however, the number of drug-related arrests declined somewhat, largely because of the preoccupation of the police with counter-terrorist activities against the insurgent Liberation Tigers of Tamil Eelam (LTTE). The LTTE has been accused of using narcotics trafficking as a source of funds for its insurgency. The Government of Sri Lanka (GSL) adopted a strong leadership role in counternarcotics activities within the South Asia Association for Regional Cooperation (SAARC). An aggressive demand reduction program focusing on public education was conducted island-wide. Sri Lanka is a party to the 1988 UN Convention, however it has not yet enacted any money laundering or asset forfeiture legislation called for by the Convention.

### **II. Status of Country**

Sri Lanka is not a producer nation and consumption levels are low, albeit there may be a slight, but steady, increase in heroin consumption. The Ministry of Defense (MOD) has overall responsibility for all counternarcotics and demand reduction activities. Sri Lanka's 1,100 miles of coastline cannot be adequately patrolled to prevent drug smuggling as Sri Lanka's naval resources are fully engaged in combating the insurgency. There are reports, moreover, that the LTTE helps finance its insurgency through drug trafficking, although neither the USG nor the Police Narcotics Bureau (PNB) has any firm evidence to support this suspicion.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** A comprehensive counternarcotics legislative package drafted by the National Dangerous Drugs Control Board (NDDCB), the government agency responsible for coordinating national drug policies, was finalized for cabinet approval during the year, and will be presented to Parliament in early 1996. The package focuses on: legislation to prohibit narcotics related money laundering and provide for asset forfeiture; legislation to comply with the UN Convention and the 1990 SAARC Convention on Narcotic Drugs and Psychotropic Substances, including provisions for extradition and mutual legal assistance; and legislation to provide for the treatment and rehabilitation of drug addicts.

**Illicit Cultivation and Production.** Cannabis is the only illicit narcotic cultivated in Sri Lanka. 1995 saw substantial eradication efforts notwithstanding the fact that most assets available to police and excise officials were dedicated to combating ethnic insurgency. Sri Lankan cannabis does not significantly affect the US.

**Law Enforcement Efforts.** Through November 1995, the volume of narcotics interdiction rose dramatically--13.5 metric tons of cannabis were seized compared to 4 metric tons in 1994. The number of people arrested in 1995 was estimated to be 10,809, compared with the revised 1994 estimate of 12,352 arrests. Sri Lankan authorities attribute the decline in arrests to the preoccupation of the police with the LTTE terrorist threat. Through November 1995, 99 percent of the individuals arrested for narcotics-related offenses during the year had been prosecuted.

The computer program developed by the PNB (funded by the USG) to support a regional database of narcotics arrests and other information became operational in 1995. The database is available to law enforcement agencies throughout SAARC.

**Corruption.** In 1995 there was no evidence that public officials were involved in narcotics trafficking. The government's commission to investigate charges of bribery and corruption against public officials reported no cases of drug-related corruption.

**Demand Reduction.** In 1995 the NDDCB conducted an aggressive public education campaign island-wide. Great attention was paid to the strengthening of treatment, detoxification and rehabilitation services for drug-dependent persons. A family-based prevention/treatment program launched in the previous year continued. In March, the GSL hosted a SAARC workshop on education in drug prevention with emphasis on curriculum development for schools.

**Agreements and Treaties.** Sri Lanka is a party to the 1988 UN Convention, as well as to the 1990 SAARC Convention on Narcotic Drugs and Psychotropic Substances. Extradition matters between the GSL and USG are currently covered by the extradition treaty between the United States and Great Britain signed in 1931.

**Drug Flow/Transit.** Heroin is the only narcotic that has been detected transitting Sri Lanka in significant quantities. Most detection occurred at Katunayake International Airport, but the PNB believes that a substantial number of transshipments--mostly heroin from India--take place along the Sri Lankan coast. Since Sri Lanka has no Coast Guard and its naval vessels are fully engaged in operations against the LTTE insurgents, there remains no reliable information on the extent of maritime transshipments. The LTTE has, however, been accused of narcotics trafficking to support its insurgency.

#### IV. US Policy Initiatives

**Bilateral Cooperation.** With the help of new USG-provided laboratory equipment, the National Narcotics Laboratory improved its programs, providing analytical reports of suspected narcotics samples. NDDCB officials indicated they will be able to conduct their demand reduction programs with increased effectiveness with the help of audio visual equipment provided by the USG in December 1995. One officer of the PNB attended a DEA-conducted advanced drug enforcement seminar in March.

**The Road Ahead.** We foresee no increase in the modest counternarcotics assistance we provide the GSL. We continue to focus on training programs and the provision of equipment to maximize scarce resources and promote self-sufficiency in Sri Lankan organizations.





**SOUTHEAST ASIA  
AND  
THE PACIFIC**



## AUSTRALIA

### I. Summary

Although Australia is primarily a drug consuming country, it does have potential significance as a transit point. Some heroin bound for the US market may transit Australia. Australia also may serve as a transshipment point for South American cocaine destined for Southeast Asia. Australia is a party to the 1988 UN Convention, and is an active participant in the Commission on Narcotic Drugs and the Dublin Group.

### II. Status of Country

Illicit drug use is recognized as a growing problem in Australia. Marijuana and amphetamines, which are produced locally, are the principal illegal drugs. Some amphetamines are smuggled from Australia into New Zealand. Evidence suggests that cocaine, smuggled in from South America and the US, is a growing concern. However, Australian cocaine use and arrests continue to remain low in comparison with other illicit drugs. Seizures of cocaine remain low in comparison to seizures of the drug on an international basis. Heroin consumption remains a significant problem. There is a licit opium poppy industry in Tasmania, but there are effective controls to prevent diversion of the licit opium crop.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Australia is seeking to minimize the social impact of drug abuse through the National Drug Strategy, a comprehensive approach of demand reduction and supply control measures. Australia's National Drug Strategy addresses problems caused by all drugs, both licit and illicit. The strategy is a five year plan that recognizes that the drug problem will not be solved by focusing simply on specific drugs. The strategy considers the environment and the social context as fundamental reasons for drug abuse. Drug use problems are addressed in the context of the workplace, leisure, school, the community and the family. The plan proposes goals and objectives, key national indicators and program priorities for focusing attention and action in the drug arena.

Australia's domestic policy is complemented by an international drug strategy which aims to minimize the harmful effects of drug abuse and illicit drug trafficking on the health, welfare and social fabric of Australia and the international community by contributing to global, regional and bilateral efforts in accordance with Australian national drug policies and practices. Australia is an active participant in international drug control forums such as the Commission on Narcotic Drugs and the Dublin Group.

**Accomplishments.** The GOA is conducting a strong counter-drug campaign and is a party to the 1988 UN Convention. Six state and three GOA federal agencies devote considerable resources toward combating the drug problem. In February 1995, a joint federal and state investigation led to the seizure of approximately 460 kilograms of amphetamines. This is the largest single seizure of amphetamine ever recorded in Australia. There is a close working relationship between the Australian Federal Police (AFP) and DEA.

**Corruption.** The authorities respond strongly to any instances of official corruption, and prosecute cases involving criminal behavior. Since March 1995, the New South Wales Royal commission has released information concerning their investigation of corruption within the New South Wales Police Service and the Commonwealth-New South Wales Joint Drug Task Force, which was in existence from 1979 through 1988. The USG has no evidence that the GOA facilitates the illicit production or distribution of illegal drugs, or engages in drug trafficking or the laundering of drug proceeds.

**Agreements and Treaties.** A Mutual Legal Assistance Treaty with the US is under negotiation. A US-Australia extradition protocol is in effect. Australia cooperates closely with the US and third countries to counter money laundering, and is active in the Financial Action Task Force.

**Cultivation/Production.** Cannabis is the only illicit drug known to be cultivated in Australia. Crop size has not decreased in recent years despite vigorous eradication efforts. GOA law enforcement authorities report an increase in the use of sophisticated indoor and hydroponic cannabis growing operations. The manufacturing of amphetamine and methamphetamine is increasing and there is some manufacturing of small quantities of synthetic heroin known as "homebake."

**Drug Flow/Transit.** According to DEA reporting, Australia continues to be an attractive target for South American cocaine trafficking organizations and Southeast Asian heroin trafficking organizations. Some heroin bound for the United States may transit Australia.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The primary USG goals remain the assessment of US-Australia trafficking trends, and assistance in gathering intelligence on drug trafficking groups and their effects on international markets. Cooperation between GOA and USG authorities is excellent. Australia and the United States law enforcement authorities share narcotics trafficking intelligence on an ongoing basis. There have been no problems regarding the extradition of narcotics criminals between the two countries. DEA makes USG counternarcotics training available to GOA law enforcement authorities.

**The Road Ahead.** In general, the US will continue to address transshipment issues with the GOA, particularly those relating to trafficking trends between the US and Australia. The USG is undertaking efforts to assist the GOA in dealing with the increasing problem of cocaine traffic.

## BURMA

### I. Summary

Burma remains the world's largest producer of opium and heroin. Burma lacks both the resources and commitment to undertake effective drug control and is likely to remain one of the world's major sources of drugs for many years to come. In 1995 opium cultivation and production rebounded after a slight decline due to poor weather in 1994. Opium poppy cultivation covered 154,000 hectares and yielded 2,340 metric tons of opium gum -- enough opium to produce 230 tons of heroin and satisfy the U.S. heroin market many times over. There were few signs of improvement in the government's counternarcotics performance during 1995. In early 1996 a two year offensive against the Mong Tai Army (MTA, also known as the Shan United Army) of Khun Sa ended with the Burmese Army occupation of the MTA headquarters. The Burmese, however, have shown no willingness to use the opportunity brought about by their cease-fire with the MTA to bring Khun Sa to justice or to take effective action to suppress the heroin trade in the Shan state.

The drug trade in the Shan State continues virtually unchecked. Burmese authorities lack the resources, the ability or the will to take action against ethnic drug trafficking groups with whom they have negotiated cease-fires. Groups known to be involved in the heroin trade, such as the United Wa State Army and the Kokang militia, remain heavily armed and enjoy complete autonomy in their base areas. Although the Burmese Government claims that these groups have committed themselves to drug control as part of their cease-fire agreements, the Burmese Government has been either unwilling or unable to get these groups to reduce heroin trafficking or opium cultivation.

Money laundering in Burma is also a growing problem and the laundering of drug profits is thought by some analysts to have a wide-spread impact on the Burmese economy. An underdeveloped banking system and lack of enforcement against money laundering have created a business and investment environment conducive to the use of drug-related proceeds in legitimate commerce.

### II. Status of Country

Burma continues to provide the bulk of the world's opium supply and is the source of over 60 percent of the heroin seized on US streets. The ethnic areas of Burma's Shan State, such as the Kokang and Wa territories, produce most of Burma's opium. The State Law and Order Restoration Council's (SLORC) cease-fire agreements with these drug-trafficking armies have prevented the implementation of any meaningful drug enforcement operations in areas under the control of ethnic armies. As a result, these regions have become drug trafficking havens where heroin is produced and trafficked without any risk. Leaders of these drug-trafficking armies have benefited immensely from their good relationships with the Rangoon regime; their businesses--legitimate and illegitimate--have prospered. The top traffickers of these ethnic groups are: U Sai Lin AKA Lin Ming-shing of the Eastern Shan State Army (ESSA); Yang Mao-liang, Peng Chia-sheng, and

Liu Go-shi of the Myanmar National Democratic Alliance Army (MNDA-Kokang Chinese); Pao Yu-chiang, Li Tzu-ju, and Wei Hsueh-kang of the United Wa State Army (UWSA); and U Mahtu Naw of the Kachin Defense Army (KDA). The SLORC has given these ethnic traffickers significant political legitimacy and now refers to them as "leaders of national races." Several major traffickers now participate in the government's national constitutional convention in the guise of ethnic leaders.

### **III. Country Actions Against Drugs in 1995**

Burmese counternarcotics efforts remained woefully inadequate in 1995, a situation that has not changed fundamentally since 1989. The SLORC steadfastly maintains that only peaceful economic development will bring about a reduction in drug production and trafficking. Many of the major drug trafficking insurgent groups have been at peace with the SLORC since 1989 and the surrender of the Mong Tai Army in early 1996 brought an end to the last major insurgency by an army involved in drug trafficking. During the past six years there has been no progress in reducing opium cultivation or in stopping the heroin-trafficking activities of ethnic armies now considered part of the "legal fold." The SLORC's development program seems more intent on expanding and strengthening its political position in the border areas than in countering the narcotics trade.

The Burmese Government continues to look to United Nations International Drug Control Program (UNDCP) and the United Nations Development Program (UNDP) assistance to bolster its own development programs in ethnic Wa, Kokang, and Shan areas of the Shan State. Nevertheless, Burmese Government cooperation in implementing UNDCP projects declined in 1995. The government also appeared intent on exerting greater control over UN programs operating in the ethnic border areas. In the case of UNDCP, the GOB has sought a say in UNDCP personnel assignments and has restricted access by UNDCP personnel to project areas and leaders of ethnic militias. The government has largely barred NGO involvement in aid projects in these ethnic drug areas.

**Policy Initiatives.** The SLORC did not announce any new drug-control policy initiatives during 1995. However, the Government continued to implement its "northern border development program" which in part aims to reduce and ultimately eliminate opium cultivation in the ethnic border areas. This program was started in 1990 and refined in the September 1994 unveiling of an eleven-year "Master Plan for the Development of Border Areas and National Races." While large sums of Burmese money reportedly have been allocated for development work in the opium-producing areas of the Shan state, none of this aid has been closely tied to reductions in poppy cultivation. In 1995, the UWSA announced a unilateral plan to establish five "opium poppy-free zones" in its area of control in order to bring about a gradual reduction of opium cultivation. Though there is skepticism about the drug-trafficking group's sincerity, the UNDCP hopes to test this purported UWSA drug-control commitment through a planned five-year crop substitution project due to start in mid-1996 in the Wa region.

**Accomplishments.** The government appeared to take fewer steps to counter Burma's drug trade in 1995 than in other recent years. A counter-insurgency campaign seen in the late dry season of February-April 1995 against Khun Sa's Mong Tai Army (MTA) ended in a brokered peace in January 1996. Although the details of the peace arrangement are not yet clear, it seems the MTA will be allowed to operate as an ethnic militia in the same manner that the UWSA and MNDAA continue to operate in other parts of the Shan state. It is unknown what, if any, impact the end of the fight against Khun Sa will have on the heroin trade.

The Burmese effort to seize drugs and arrest traffickers remains disappointing: less than 100 kilograms of heroin and less than 1.1 metric tons of opium gum were seized by Burmese authorities in 1995. This represents more than an 80 percent and 53 percent decline, respectively, from 1994 seizures. Seizures of acetic anhydride increased by 6 percent to 1,261 gallons. In one particularly large seizure, Burmese military intelligence and police on May 24 seized 721.5 gallons of acetic anhydride entering Burma from China's Yunnan province and bound for the MTA.

Burmese police, who account for the bulk of Burma's drug seizures, appear to be targeting low-level drug violators -- seldom seizing more than one kilogram of heroin at a time -- while avoiding major traffickers who are responsible for much larger heroin shipments.

The 1993 Narcotic Drugs and Psychotropic Substances law brought the Burmese legal code into conformity with the 1988 UN Convention. As such, the 1993 law contains useful legal tools for addressing money laundering, the seizure of drug-related assets, and the prosecution of drug conspiracy cases. However, these provisions remain largely unused by Burmese police and judicial officials. Burmese authorities have been slow to implement the law, and have targeted few, if any, major traffickers. There have been few cases involving money laundering or seizure of major assets acquired through drug crime. The Burmese Government, however, continues to express its desire to give its personnel better training and to make better use of its drug laws. In November 1995, a UNDCP contractor visited Rangoon to conduct a legal workshop for Burmese enforcement and judicial personnel.

**Law Enforcement.** The Burmese Government's coordinated drug enforcement effort is led by the office of the Central Committee for Drug Abuse Control (CCDAC), which includes the police, customs, military intelligence, and the army. CCDAC now has 17 drug enforcement task forces around the country, most located in major cities and along key transit routes near Burma's borders with China, India and Thailand. Though CCDAC and its task forces are responsible for the bulk of narcotics seizures and arrests, the agency continues to suffer from a lack of adequate resources. The UNDCP has provided various CCDAC units with modest equipment and some training. DEA has also provided basic drug enforcement training to CCDAC personnel. However, the SLORC's very small budget allocations for narcotics enforcement do not give the agency the resources needed to make a credible effort to combat Burma's massive drug cultivation and trafficking problem.

**Corruption.** The SLORC's business relationships with some of Burma's top narco-trafficking minority groups raise suspicion in the minds of some observers that senior Burmese officials are profiting from narcotics revenues. There is, however, no evidence that the Government, on an institutional level or as a matter of policy, is involved in the drug trade. But there are persistent reports that lower level officials, particularly in the border regions, are involved in taking bribes in return for ignoring drug smuggling. The lack of a vigorous enforcement effort against money laundering leaves Burma vulnerable to the growing influence of traffickers who will use drug proceeds in legitimate business ventures, thereby gaining influence over investment and commercial activities.

**Agreements and Treaties.** Burma is a party to the 1961, 1971 and 1988 UN Drug Conventions. However, the Rangoon regime maintains its reservations on two of the Convention's articles -- one on extradition of Burmese citizens to third countries and one on the use of the International Court of Justice to resolve disputes relating to the Convention (articles 6 and 32, respectively). The United States does not have a mutual legal assistance treaty (MLAT) with Burma. The Burmese Government has disputed the continuing applicability of the US-UK Extradition Treaty, which was accepted by the provisional Burmese Government in 1947.

**Cultivation and Production.** Burmese opium production doubled with the opium crop harvested in early 1989 -- the first crop harvested after the SLORC's seizure of power. Since then Burma's output of opium has remained at high levels -- near 2,300 metric tons per year. This is by far the largest amount of opium produced in the world. The 1994 crop saw a 21 percent decline in production due to poor weather during the crop's growing season. In 1995, however, the crop rebounded, rising 18 percent to 2,340 metric tons. The bulk of Burma's opium cultivation traditionally has been in the mountainous regions of the Shan plateau, which extends the length of the Shan state, from the Chinese border to the Thai border. Since 1989, however, cultivation has been expanding into areas under at least nominal Burmese Government control on the west bank of the Salween river. New cultivation has also been noted in the Chin state, along Burma's border with India.

**Drug Flow/Transit.** Heroin is produced in large, relatively static refineries well ensconced in ethnic enclaves protected by drug trafficking armies in the Shan state. These labs, run by the ESSA, MNDAA (Kokang), KDA, UWSA, and MTA, are out-of-bounds to Burmese law enforcement and paramilitary efforts, under the terms of the SLORC's cease-fire agreements with these drug militias. A growing amount of methamphetamine is reportedly produced in labs co-located with heroin refineries along the China and Thailand borders. Heroin produced by Burma's ethnic groups is trafficked largely through the porous Chinese and Thai borders, and to a lesser extent the Indian border. Though the use of trafficking routes through China to move heroin to the international market continues at a high level, Thailand remains the primary route for Burmese heroin to exit Southeast Asia.



Traffickers continued a trend noted last year of moving a growing amount of heroin through central Burma, often from Lashio, through Mandalay to Rangoon or other seaports such as Moulmein, for seaborne export to Singapore or Malaysia. Though some Burmese customs personnel in August participated in a two-week U.S. Customs training course to help better identify seaborne and airborne drug shipments, Burmese customs registered no seizures of narcotics for all of 1995. Trafficking routes leading through Kachin and Chin states and Sagaing division in northern Burma to India continue to be used to a limited extent, but largely to supply regional addict populations in India and Bangladesh. Acetic anhydride, an essential chemical in the production of heroin, is imported primarily from China and India and to a lesser extent from Thailand.

**US Policy Initiatives.** Direct USG counternarcotics aid to Burma has remained suspended since 1988, when the Burmese military brutally suppressed the popular pro-democracy movement. Joint initiatives such as an aerial eradication program, which had been effective in containing the expansion of Burmese opium cultivation ended in 1988. Currently, the USG engages the Burmese Government on a very limited level. DEA shares drug-related information with the GOB and conducts joint drug enforcement investigations with Burmese police and military personnel. Various US agencies have twice joined Burmese counterparts in conducting annual opium yield surveys in the mountainous regions of the Shan state. Results from the surveys give both Governments a more accurate understanding of the scope and magnitude of Burma's opium crop, which in recent years has been the single largest component of the world's illicit crop.

The U.S. Government continues to urge the SLORC to take serious steps to curb Burma's runaway opium production and heroin trafficking. Specifically, the Rangoon regime has been encouraged to:

- utilize more fully the money laundering and drug conspiracy tools of Burma's new 1993 drug law in targeting major traffickers;
- target and destroy or confiscate heroin refineries in areas accessible to Burmese security personnel;
- implement the counternarcotics components of its cease-fire agreements with ethnic groups in drug producing areas, specifically pushing the ethnic traffickers to reduce opium poppy cultivation;
- cooperate more fully with UNDCP and international NGOs in implementing crop substitution and counternarcotics-related health projects.

**Bilateral Cooperation.** USG counternarcotics cooperation with the Burmese regime will remain at a restricted level until there is progress in the areas of human rights and political reform. DEA's liaison with Burmese police and military -- conducted through DEA's three-man office in Rangoon -- will continue at its limited level. In 1995, DEA conducted one two-week training course on basic drug enforcement techniques, and US Customs conducted a similar course on identifying and seizing drug shipments.

**The Road Ahead.** The USG recognizes that no Burmese Government is capable of effectively dealing with the country's huge drug trade alone. Large-scale international aid, including developmental assistance and law enforcement aid, will be needed to curb drug production and trafficking. The SLORC will need to demonstrate a real commitment to drug control before any meaningful progress in counternarcotics is possible.

## Statistical Tables

## TABLES for CY

1995 1994 1993 1992 1991 1990

## OPIUM

Harvestable Cultivation	[ha]	154,070	146,600	165,800	153,700	160,000	150,100
Eradication*	[ha]	0	3,345	604	1,215	1,012	39
Cultivation	[ha]	154,070	149,945	166,404	154,915	161,012	150,139
Potential Yield	[mt]	2,340	2,030	2,575	2,280	2,350	2,255
Loss Factor	[mt]	234.0	203.0	257.5	228.0	235.0	225.5
Seized	[mt]		2.27	2.65	2.19	1.51	1.93
Consumed	[mt]	150	150	150	150	150	150
Exported	[mt]	300	300	300	300	300	300

## HEROIN

Seized in-country	[mt]		0.347	0.300	0.266	0.183	0.243
Consumed in-country	[mt]		10	4.5	4.5	4.5	4.5

## Seizures

Opium	[mt]		2.265	2.650	2.193	1.512	1.926
Heroin	[mt]		0.347	0.300	0.266	0.183	0.243
Marijuana	[mt]		0.290	0.600	0.292	0.724	0.815
Acetic Anhydride	[gals]		1,191	1,016	1,136		

## Other data

Heroin Labs destroyed		4		2	6	1
Narcotics Arrests		7,134	7,520	6,109	7,357	
Heroin Users [Thousands]		100	30	30	30	30
Opium Users [Thousands]		120	120	120	120	120

\*Data on eradication, seizures, labs destroyed, and arrests reflect official GOB statistics through November 30, 1994.

With the exception of USG-derived estimates for cultivation (hectarage) and opium yield (tonnage), accurate figures do not exist for Burma.

Note: Opium yield is calculated using a figure of 15 kilograms per hectare.

[ All available opium in any given year is not converted into heroin.

Undetermined quantities are stockpiled for use and export during subsequent years.]

Available information does not permit a breakdown of various refined products. Figures shown for heroin also include heroin base and morphine base. Government of Burma estimates of opium/heroin usage and number of addicts are questionable and hence not useful for statistical presentation. The figures given here should be considered only rough estimates.

## CAMBODIA

### I. Summary

In the past year Cambodian authorities have acknowledged that there is a serious drug trafficking problem, including significant amounts of heroin transiting the country en route to the United States and other international markets. A comprehensive picture of trafficking activity in Cambodia is still not available, but increasing information about the drug trade indicates that heroin trafficking is a serious concern, especially in light of the high volume of drug trafficking in the region, the relative weakness of law enforcement institutions, and the lack of an effective criminal justice system and anti-narcotics laws. The Cambodians, wisely, began to organize specialized drug enforcement units in 1994. These units lack resources and training, but they have been actively attempting to control the drug trade. These units have been responsible for significant seizures and have shown a willingness to tackle hard cases. The United States has supplied training to Cambodian drug enforcement units through both DEA and Customs. In August of 1995, Cambodian authorities seized 71 kilograms of heroin concealed in a speedboat. This was the largest seizure of heroin in Southeast Asia in 1995. The Cambodians are in the process of enacting legislation to control drug trafficking and money laundering and have sought international expertise and guidance in drafting such legislation. The U.S. has offered expert comments on the proposed legislation and is working to encourage its passage. Drug related corruption is a serious concern. There have been cases of heroin and marijuana smuggling that have involved elements of the military, the police, and Customs Service. Nevertheless, the Cambodian Government has shown a willingness to take action on its own and to cooperate with the US and others to prevent the flow of drugs. In response to allegations of corruption, the First Prime Minister has invited anyone with information about corruption to come forward, and promised guilty officials would be removed and prosecuted.

### II. Status of Country

Cambodia shares borders with Thailand, Laos and Vietnam. It lies near the major trafficking routes for Southeast Asian heroin. Cambodia's two-year-old democracy, installed after elections in 1993, still faces an active, although diminishing Khmer Rouge insurgency. Laws and legal institutions are still being developed. Enforcement agencies are also in the initial stages of operation. National and municipal police charged with anti-narcotics (and indeed all) law enforcement activities lack training in basic law enforcement techniques and drug enforcement measures, including drug identification. They have no communications equipment. Cambodia has approximately 33 banks, but the National Bank only recently received formal legal authority to regulate them. The Royal Cambodian Government, recovering from over twenty years of warfare and internal strife, is heavily dependent on external assistance, and most ministries, including those charged with police functions, have funds sufficient only to cover salaries. The lack of funds for training and operations, coupled with the newness of Cambodia's democratic institutions, make Cambodia a vulnerable target for drug traffickers and money launderers operating in Southeast Asia.

Solid information about the full extent of drug trafficking and money laundering in Cambodia is still lacking, but it is clear that traffickers are taking advantage of present circumstances in Cambodia. The size of one recent seizure, coupled with anecdotal evidence, lends credence to other information suggesting that Cambodia is an important trafficking route.

### **III. Country Actions against Drugs in 1995**

**Policy Initiatives.** Cambodia's constitutional monarch signed a decree establishing a National Counternarcotics Authority whose chairmen are Cambodia's two prime ministers and whose vice-chairman is the Minister of Justice. The Ministry of Justice, with assistance of an advisor from the UNDCP, concluded a draft of anti-narcotics legislation that was recently reviewed by the Council of Ministers, and is expected to be sent shortly to the National Assembly. The legislation contains a provision outlawing the laundering of drug proceeds. The legislation would commit the government to becoming a party to the 1961 Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances, and the 1988 UN Convention.

**Accomplishments.** An inter-agency task force spearheaded by the Cambodia Customs Service captured 71 kilograms of heroin, the largest single heroin seizure this year by law enforcement officials in any Southeast Asian country, and arrested six persons, one of whom, the ringleader-a senior police official, subsequently escaped. Five of the six persons, including the ringleader, were convicted of smuggling and possession of heroin. Four of those convicted were sentenced to 5 to 8 years imprisonment; the ringleader, was sentenced in absentia to 15 years in prison. The Task Force seized the fast boat used by the perpetrators, but the trial court denied the request for forfeiture to the State, and ordered the boat returned to the owners. The Finance Ministry has two months to appeal the decision. Cambodia and the US entered into a bilateral anti-narcotics agreement pursuant to which the USG will equip a drug testing laboratory and provide the RCG with test kits and equipment. A second inter-agency task force, this time headed by the Chief of the Anti-Narcotics Division of the National Police, destroyed marijuana plantations in Koh Kong and Kandal provinces. The Koh Kong raid was significant not only for the destruction of the illicit substance, but also because it demonstrated the ability of the government to exercise legal authority in Koh Kong Province. Units of both the National Police and Phnom Penh Municipal Police continue to make drug enforcement arrests, despite the all-but-complete absence of support equipment for their work. Approximately 90 persons from those units received training in law enforcement and drug interdiction techniques from the DEA and US Customs Service. The French government continued assistance to the anti-narcotics units, and conducted training for the police in Sihanoukville, Cambodia's port city. DEA agents from the Bangkok country office travel to Phnom Penh monthly to provide training and technical assistance to the anti-narcotics units of the national and municipal police.

The police continue to arrest low-level traffickers despite a crippling lack of resources. Lacking adequate facilities and equipment, the police use their own offices to hold suspects prior to court appearances, take suspects to court in open tricycle taxis (cyclos), and store heroin and other drugs in Ministry offices for safekeeping. Given RCG budget constraints, foreign assistance is the only realistic means, in the near term, for the RCG to overcome resource constraints.

**Corruption.** In the wake of a November article in the Far Eastern Economic Review alleging the involvement in narcotics trafficking of high level government officials and those close to government, the RCG promised to investigate, discharge from government and prosecute any person credibly alleged to be involved in drug trafficking and publicly called for information which would further any such investigation. The RCG is drafting legislation to control corruption. Although the final form of the laws has not yet been determined, an anti-corruption commission and an assets declaration statute have been discussed. The Ministry of Interior suspended the leadership of the Immigration Department to investigate charges of drug-related corruption. Allegations of drug-related corruption in the police and military is a serious concern. Major drug cases in 1995 included some involving drug trafficking by police and military units. Government anti-narcotics enforcement units have shown a willingness to pursue, arrest and prosecute members of the police or military engaged in trafficking.

**Cultivation/Production.** Marijuana is cultivated throughout Cambodia. No survey of the extent of cultivation has yet been done, and there are no good data on which to base an estimate. The government moved against farmers in Koh Kong province growing marijuana for export to Thailand, seizing approximately 32,000 plants. There have been rumors of opium cultivation, the presence of a heroin lab in Cambodia, and amphetamine production, but to date these have not been substantiated.

**Drug Flow/Transit.** Heroin is known to transit Cambodia from the Golden Triangle to countries in the region, to Europe, and to the United States. Opium almost certainly transits Cambodia from Laos to Thailand. Cannabis grown in Cambodia is shipped to Thailand. A comprehensive picture of trafficking activity is still not available, but increasing information about the drug trade suggests that heroin trafficking is a serious concern, especially in light of the high volume of drug trafficking in the region, the relative weakness of law enforcement institutions and the lack of an effective criminal justice system and anti-narcotics laws.

**Demand Reduction.** Government authorities do not believe that domestic opiate use is a major problem. Anecdotal evidence suggests that narcotics use by foreigners has increased. Cannabis use in food preparation is widespread; it is part of traditional Cambodian cuisine. Abuse of pharmaceutical drugs, which are not presently regulated in an effective manner, is common. Abusers of licit drugs often inject them, creating a higher HIV/AIDS risk among this group. There are no government demand reduction programs in place in Cambodia, but Cambodian officials have requested information to educate Cambodians about the danger of drug use.

**Bilateral Cooperation/The Road Ahead.** The RCG continues to welcome bilateral cooperation in training by US Customs and DEA. DEA agents visit Cambodia periodically to consult with Cambodian anti-narcotics forces and provide customized training. Until the US-financed drug testing laboratory can be set up, the US assists in drug identification through DEA laboratories in the United States, but this is a slow and cumbersome procedure. The US provided comments on anti-narcotics legislation and its money laundering provisions. The USG continues to encourage the Government of Cambodia to become a party to the 1988 UN Convention, the 1961 UN Single Convention and the 1971 UN Convention on Psychotropic Substances.

## CHINA

### I. Summary

China is one of the two principal transit routes for Southeast Asian heroin smuggled to the United States and other overseas markets. Violent crime associated with drug trafficking and heroin addiction are growing social problems. Large and growing financial flows, occurring in an increasingly market-oriented economy, provide significant potential for money laundering. While continuing a strong interdiction effort along Yunnan province's border with Burma, China mounted a strong push in 1995 to stem the growing domestic drug problem in Guangdong province. China has shown a strong commitment to domestic enforcement and demand reduction. China also works closely with the United Nations International Drug Control Program (UNDCP) in regional drug control efforts. Chinese officials state that they would like to expand bilateral counternarcotics cooperation with the United States, but operational drug enforcement cooperation is limited. The United States offers drug enforcement training to Chinese officials. The US would like to see bilateral drug enforcement cooperation improve. In particular, the US hopes for improvement in information sharing and timely responses to lead information on active investigations. We hope that China will allow DEA to reestablish a closer working relationship with Chinese drug enforcement units and will allow DEA to set up an office in Beijing. Although there are shortcomings in bilateral enforcement cooperation, the Chinese continue, on their own, to mount the most vigorous interdiction effort in East Asia. The laws against drug trafficking are harsh. The death penalty is applied to cases involving more than 50 grams of heroin. China's status as a major chemical producer and exporter also makes it a target for criminals seeking to illegally procure chemical precursors. Money laundering is also clearly easier in a booming economy, increasingly guided by market forces. The Chinese Government has shown a willingness to work under multilateral mechanisms to control both chemical diversion and money laundering, but domestic detection and enforcement remain weak.

### II. Status of Country

China's geographic position offers a tempting route to the west for heroin and other opiates from the narcotics producing countries of the Golden Triangle. As a result, China has become a major drug transit country. Its transport and communication links, which are improving due to economic development, facilitate movement of narcotics as well as legitimate goods. Burma remains the source of most heroin transiting China. Heroin seized each year in Yunnan province, which borders Burma, accounts for 80 percent of the total seized in the whole country, and opium seized in Yunnan accounts for 70 percent of the national total. The flow of drugs shipped by road from Burma through Yunnan, Guangxi and Guangdong provinces to Hong Kong for overseas distribution continues, but air and rail routes increasingly are used as well, and these routes facilitate the spread of narcotics trafficking and use into the interior provinces. Indications are that



US and Asian trafficking networks are expanding their operations on Chinese soil. There is no strong evidence of heroin production in China, but a limited amount of opium is grown for domestic consumption. China's status as a major chemical producer and exporter also makes it a target for criminals seeking to illegally procure chemical precursors. The booming economy and monetary flows have so far out-paced regulatory improvements, presenting increased potential for money laundering.

The PRC officials now estimate there are 380,000 drug addicts, but many Western observers believe the actual number is much higher. Most registered drug addicts are young people. Drugs used range from opium to refined heroin and synthetic painkillers. Crimes resulting from drug addiction also are on the rise. Addiction is highest in Yunnan province, which borders Burma, but is also rising in Guangdong, Guangxi, Guizhou, Gansu, Shanxi, and Sichuan provinces. Recreational drug use in prosperous coastal urban areas is a growing problem. The number of AIDS and HIV-positive cases has increased, particularly in Yunnan province. According to official PRC estimates, seventy-five percent of AIDS cases are due to intravenous heroin injection.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** China is a party to the 1988 UN Convention and is committed to meeting its goals and objectives, but has yet to enact asset seizure and money laundering laws contemplated by the Convention. The National Narcotics Control Commission (NNCC) directs the PRC's counter-narcotics efforts. The NNCC oversees 16 government ministries and agencies in the area of narcotics control, including Public Security, Health, Customs, Foreign Affairs and Foreign Trade, and the Drug Administration Bureau (which is responsible for the production of medicines), and directs policy, enforcement, research and international cooperation. The NNCC's responsibilities have recently expanded to include demand reduction, public awareness, and community outreach and prevention programs. At the beginning of 1995, the government promulgated new regulations aimed at systematizing drug treatment efforts.

China is involved in a UNDCP-sponsored sub-regional drug eradication project with Laos, Burma, Thailand, Vietnam and Cambodia. In May, China hosted the inaugural Ministerial meeting of the group, which resulted in the promulgation of an action plan, or "Beijing Declaration". The six countries agreed to 11 collaborative projects in the areas of drug demand reduction, supply reduction and law enforcement over an initial three-year period.

**Accomplishments.** PRC officials report an approximately one-third fall in nationwide opium and heroin seizures during 1995, but are not yet certain whether the decline is matched by a corresponding fall in drug flows into China during the year. The final 1994 figures showed sharp declines from the previous year, with strengthened enforcement credited for a drop in heroin seizures to 3,700 kilograms (vice 4000 kilograms in 1993) and opium seizures to 1,700 kilograms (vice 3000 kilograms the previous year). However, the decrease in seizures in 1994 and 1995 could as easily have resulted from increased success by traffickers in moving heroin out of China.

**Law Enforcement Efforts.** Enforcement efforts continued to be stringent along China's border with the Golden Triangle. Border guards in Yunnan province reported seizing 430 kilograms of heroin and 75 kilograms of opium in the first eight months of the year. In two major cases in Kunming, Yunnan customs officials seized 128.8 kilograms of heroin. The year was notable for a drug crackdown in Guangdong Province. In ordering the campaign, the Guangdong Governor cited increasing drug use in all parts of the prosperous province. Over the six-month period from March 1 to September 30, Guangdong seized more than 350 kilograms of heroin and arrested more than 7400 drug traffickers. Many drug traffickers were executed, including 44 in a one-week period at the end of August. Heroin seizures in Guangzhou during the period were up almost 50 percent over the figure for all of 1994.

**Corruption.** The PRC has taken a strong stand against official corruption, and has laws dealing specifically with Government officials who are found guilty of the use, manufacture or delivery of narcotics. China's rapid economic growth and liberalization in many areas of daily life also have spawned an atmosphere of corruption and greed. There is no evidence of high-level official corruption related to narcotics trafficking. However, the juxtaposition of low-paid law enforcement personnel and the highly profitable drug business creates the potential for corruption. In 1994, Yunnan province executed several officials for accepting bribes to permit drug trafficking. According to National Narcotics Control Commission officials, the PRC Government maintains a list of major foreign drug traffickers and forbids them entry to China.

**Agreements and Treaties.** The PRC is a party to the 1988 UN Convention, as well as the 1961 Single Convention, its 1972 protocol, and the 1971 Convention on Psychotropic Substances. China has greatly increased its mutual legal assistance treaties with other nations in recent years. It now has such bilateral treaties with 20 countries, and extradition treaties with three nations.

**Cultivation/Production.** There is no strong evidence of heroin production in China, but it produces limited amounts of opium, mostly for domestic consumption. PRC officials estimate that most of the illicit opium seized in China is smuggled in from Burma, while only about 10 percent originates in China. In addition to cultivation in the provinces bordering the Golden Triangle, smaller amounts of opium poppies were reported in the Northwestern Province of Ningxia.

**Drug Flow/Transit.** Most heroin entering China is produced in Burma, near the Chinese border. However, some of the opium smuggled into China comes from Vietnam. Traffickers usually bring in heroin through Yunnan province. Some shipments move directly across the Sino-Burmese border, and some enter southeastern Yunnan from Vietnam. A portion of the Golden Triangle heroin of uncertain origin flows into Guangxi Province from Vietnam.

**Domestic Programs.** The PRC encourages citizens to report on possible cases of drug smuggling and use. In Yunnan, where local efforts at demand reduction are most organized, anti-drug organizations are involved in identifying drug users, providing treatment and trying to prevent addicts

from backsliding. As the domestic drug problem has grown, efforts have been made to increase drug treatment programs. New regulations promulgated in January sought to boost drug treatment efforts. Chinese officials report that China now has more than 250 compulsory drug rehabilitation centers and 75 drug treatment centers at administrative detention centers connected with the prison system (i.e., "re-education through labor" facilities). Treatment capacity at one time is 30,000 addicts, with more than 180,000 addicts having been treated between 1991 and early 1995.

Drug addicts in China are encouraged to register and receive treatment at Government treatment centers. Officials claim addicts who have been seized for criminal acts receive compulsory treatment in reeducation facilities. The Ministry of Health continues to pursue the integration of customary detoxification methods with traditional medicines, acupuncture, and other Chinese-developed treatments, and in recent years has also obtained assistance from rehabilitation organizations, such as Daytop Village. Public health officials continue to operate a drug treatment center in Kunming, using Daytop's therapeutic community approach to rehabilitation.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The US Government continues: 1) to seek a closer dialogue with China on the international and regional narcotics situation; 2) to encourage an exchange of information with Chinese counter-narcotics officials on international trafficking networks and narcotics-related cases, and urge reduction initiatives in China; 3) to encourage regional cooperation and counter-narcotics projects.

**Bilateral Cooperation.** Chinese counter-narcotics officials have repeatedly expressed a strong interest in expanded international cooperation, including cooperation with the United States. They have specifically asked for increased drug use prevention and rehabilitation training. There are still problems with the timely passing of information, but officials have expressed a positive attitude toward the possibility of establishing a DEA office in Beijing during 1996. A 1993 US district court ruling on the "Goldfish Case," which stated that Chinese drug trafficker Wang Zongxiao could not be returned to China, and which is now pending on appeal before the Ninth Circuit continues to be an irritant, while PRC officials state that this case is not an obstacle to expanded cooperation, counternarcotics cooperation remains limited.

In 1995, Chinese officials participated in USG-funded training provided by DEA, including a two-week regional drug enforcement seminar in Macau, with two attendees from the Ministry of Public Security and two from Customs. Plans to hold a DEA enforcement training in Qingdao in August were postponed at a time of bilateral political tension, but the postponement may also have been attributable to the Ministry of Public Security's need to prepare for the INTERPOL conference in Beijing in October.

**The Road Ahead.** PRC officials are well aware of China's growing narcotics problem and that many western nations, including the United States, have considerable expertise in combatting this menace. For these reasons, they are seeking expanded international cooperation and will continue to press for

cooperation in the future. The USG will continue to provide information on narcotics trafficking and narcotics-related cases to Chinese authorities and will encourage a timely return flow of information. These efforts will be boosted if, as planned, a DEA office is established in Beijing. The USG also will continue to provide training programs and encourage exchange visits between US and PRC law enforcement officials.

## Statistical Tables

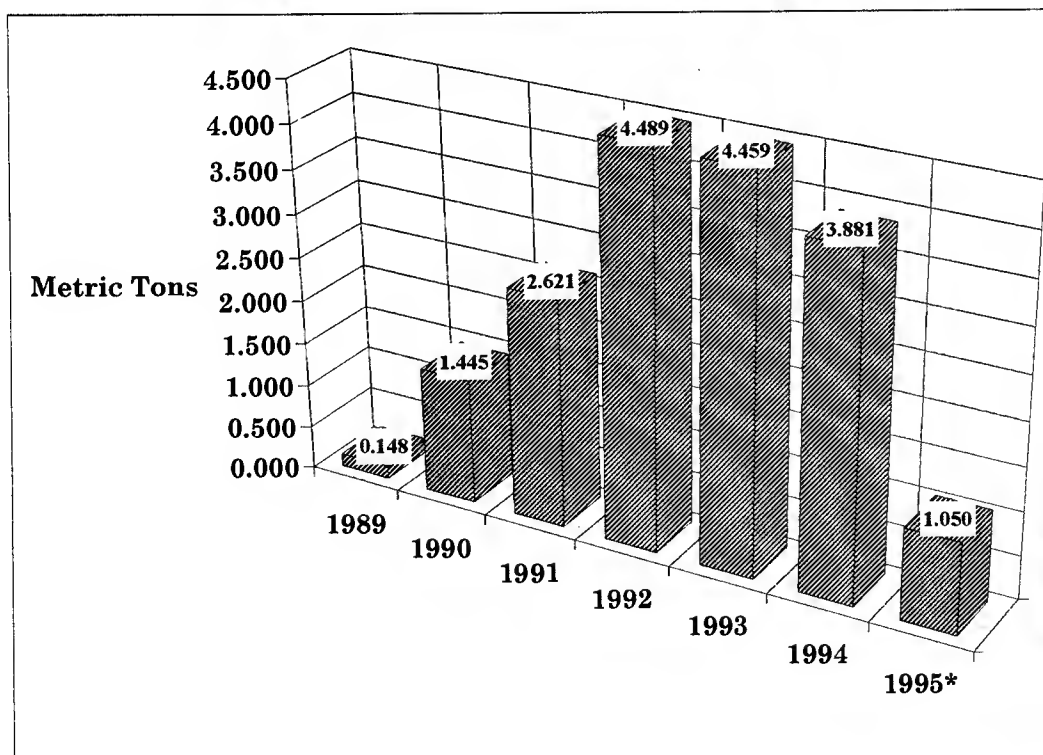
TABLES for CY	1995*	1994	1993	1992	1991	1990
<b>Opium</b>						
Cultivation (Yunnan Province Only) [ha]	1,275	1,965	-	-	-	-
Potential Yield [mt]	16	25				
<b>Seizures</b>						
Opium [mt]	2.659	1.700	3.354	2.660	2.327	0.720
Heroin [mt]	1.050	3.881	4.459	4.489	2.621	1.445
Precursor chemicals [mt]**	99	-	90	60	40	
<b>Arrests</b>		31,171	40,034	8,000	8,080	4,500

\*January-September only.

\*\* Precursor Chemicals data are for January 1994-September 1995.

All data are from Chinese government authorities.

**China: Heroin Seizures 1989 - 1995**



24-Feb-96

## HONG KONG

### I. Summary

Hong Kong criminal elements finance and arrange shipment of narcotics from Southeast Asia to the United States and other markets. There is little evidence that refining or manufacturing of illicit drugs takes place in the territory. Hong Kong's role as a transit point for illicit drugs has diminished somewhat as transit routes in East and Southeast Asia have diversified. Hong Kong remains one of the leading money laundering bases in Asia. In 1995, the Hong Kong Government strengthened counternarcotics-related legislation through amendments to the territory's Organized and Serious Crimes Ordinance and Drug Trafficking Recovery of Proceeds Ordinance. In January 1996, the Government began implementing the chemical control ordinance, which broadens the list of precursor chemicals subject to controls. Although not a signatory, Hong Kong continues to comply with the goals and objectives of the 1988 UN Convention. Hong Kong authorities plan to ask the U.K. to extend the convention to Hong Kong once all enabling legislation is in place. Beijing has agreed to allow the 1988 UN convention to apply to Hong Kong after China's resumption of sovereignty on July 1, 1997. Cooperation between the United States and Hong Kong on matters relating to drug trafficking and money laundering has been excellent. The strict application of evidentiary requirements has, in some instances, slowed extraditions from Hong Kong.

### II. Status of Country

As one of the world's most developed financial centers, Hong Kong is an attractive base for money laundering. The Government recognizes this problem, and in July 1995 amended existing Hong Kong laws to strengthen the territory's ability to go after laundering proceeds channeled through Hong Kong banks. Drug traffickers continue to use Hong Kong's largely unregulated non-banking sector (remittance centers and gold shops) to launder drug proceeds. However, government narcotics authorities have identified this problem as a high priority in 1996.

Hong Kong's role as one of Asia's major financial and commercial centers results in individuals in the territory playing a major role in the financing of the international heroin trade. Although Hong Kong has long been a center for transshipment of both legitimate trade and contraband originating in China, local law enforcement officials assert that most heroin shipments financed by Hong Kong criminal elements do not transit Hong Kong. There are indications that proliferation of transit routes in East and Southeast Asia may have reduced use of Hong Kong as a transit point. Hong Kong law enforcement authorities also maintain that methamphetamine produced in China with the financial backing of Hong Kong traffickers generally does not transit Hong Kong en route to markets in Taiwan, Japan, and the Philippines, but is smuggled directly from China to those markets. Drugs continue to flow into Hong Kong to meet the demands of the domestic addict population and in 1995 the Hong Kong authorities seized over 340 kilograms of heroin.

### III. Actions Against Drugs in 1995

**Policy Initiatives.** Hong Kong continues to strengthen its legislation to bring its counternarcotics efforts into line with the 1988 UN Convention. In July 1995, amendments to the territory's Drug Trafficking Recovery of Proceeds Ordinance and Organized and Serious Crimes Ordinance were enacted in order to comply more fully with the 1988 UN Convention and to address recommendations made by the Financial Action Task Force (FATF). The amendments enhanced Hong Kong authorities' ability to recover drug-related proceeds and punish traffickers. Under the new DTROP and OSCO amendments, reporting of suspicious transactions was made an explicit legal duty of financial institutions. Guidelines issued by the Hong Kong Monetary Authority require banks to designate an internal compliance officer to ensure compliance with the ordinances. Training programs instituted by banking authorities in 1994 to increase bank employees' awareness of money laundering activities have already resulted in a 288 percent increase in the number of reports of suspicious transactions in the twelve-month period ending in October 1995.

**Accomplishments.** In addition to the government's efforts noted above, Hong Kong counternarcotics officials obtained their first conviction under the DTROP in October 1995 which led to the forfeiture of approximately \$20 million in drug-related proceeds after a nearly year-long investigation. This compares to just over \$4 million in assets confiscated in 1994. Hong Kong is also pressing forward with new legislation designed to control precursor chemicals. That legislation, the Chemical Control Ordinance, took effect in January 1996. To ensure that it is properly enforced, the Hong Kong Customs and Excise Department established a special unit -- the Chemical Control Group -- in April 1995, which will closely monitor regulatory compliance in reporting and documenting trade in these items.

**Law Enforcement Efforts.** Hong Kong law enforcement agencies continue to coordinate and cooperate with international law enforcement agencies in investigations targeting the uppermost echelons of trafficking organizations. In addition to the increase in asset seizures already noted, Hong Kong counternarcotics officers and police substantially increased the number of drug-related arrests in 1995. Arrests for narcotics-related offenses through September 1995 totaled 11,787, equaling the number of arrests for all of 1994. Individuals convicted of drug trafficking or production face maximum penalties, under Hong Kong's Dangerous Drugs Ordinance, of life imprisonment and a substantial fine.

**Corruption.** Narcotics-related corruption among senior Government or law enforcement officials in Hong Kong has not been a problem. Hong Kong has a comprehensive anti-corruption ordinance that is effectively enforced by an independent commission that reports directly to the governor.

**Agreements and Treaties (with US and Others).** The HKG is currently negotiating treaties with several countries on extradition and mutual legal assistance that will continue in effect after the 1997 transition to Chinese sovereignty. A US-Hong Kong bilateral extradition treaty that was negotiated and initialed in 1994 awaits Chinese approval in the

Sino-British Joint Liaison Group (JLG). US-Hong Kong negotiations on a mutual legal assistance treaty that will strengthen law enforcement cooperation are expected to conclude in 1996. The US-Hong Kong Agreement Concerning the Confiscation and Forfeiture of the Proceeds and Instrumentalities of Drug Trafficking, which facilitates mutual assistance in the seizing and forfeiting of drug trafficking proceeds, remains in effect until the mutual legal assistance agreement is in place. Hong Kong has bilateral mutual legal assistance treaties with Canada, Australia, and Malaysia, as well as similar arrangements with the U.K. and its dependencies concerning the investigation and prosecution of drug traffickers and the confiscation of the proceeds of drug trafficking.

**Drug Flow/Transit.** Heroin and methamphetamine sealed within containerized cargo is transshipped via Hong Kong's port to destinations in the US, Europe, and elsewhere, but much of the heroin and methamphetamine seized in Hong Kong appears destined for the local market. As noted previously, a substantial portion of the narcotics financed by Hong Kong criminal elements is shipped directly from locations in China and other Southeast Asian countries without entering the territory.

**Domestic Programs (Demand Reduction).** Hong Kong has instituted a number of programs designed to prevent drug abuse. The Action Committee Against Narcotics, composed of educators, psychologists, and other concerned bodies, meets regularly to develop anti-drug programs. Roughly HK \$3-4 million goes to counternarcotics advertising annually, with funds also provided by local organizations.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG continues to press for JLG approval of the bilateral extradition agreement. The USG expects to conclude mutual legal assistance negotiations in 1996 to ensure that a framework for relations in this area also extends beyond the 1997 transition to Chinese sovereignty. The USG will continue to support HKG efforts to deter money laundering activity by: a) urging the HKG to adopt mandatory rather than voluntary financial transaction reporting requirements; and b) encouraging Hong Kong authorities to enact regulations that would discourage the use of remittance centers and other non-banking institutions by traffickers. USG law enforcement agencies will also urge the HKG to amend its Chemical Control Ordinance to include certain related Schedule 2 chemical salts.

**Bilateral Cooperation (Accomplishments).** In 1995, Hong Kong and US investigators cooperated to provide testimony and physical evidence in five drug trials (three in the United States and two in Hong Kong.) There was cooperation as well in over two dozen major drug and/or money laundering investigations in 1995. DEA officers in Hong Kong provided training in conducting financial investigations for Hong Kong police personnel and also put on a one-week program for the Customs and Excise Department's newly established controlled chemical group. In addition, DEA sponsored a two-week drug investigations school, funding the participation of four Hong Kong police and customs officers. DEA Hong Kong also provides monthly briefings to the Royal Hong Kong Police's command school.



**The Road Ahead.** Hong Kong officials are aware of the strong US interest in seeing a legislative framework put in place that will govern bilateral counternarcotics cooperation in the post-1997 period. The HKG is prepared to implement fully the extradition and mutual legal assistance treaty as soon as they have been approved. While anxious not to jeopardize Hong Kong's reputation as a regional financial and transportation hub, the HKG continues to look for ways to discourage drug-related activities in the territory and remains an active participant in both the Financial Action Task Force and the FATF Asian Task Force. The HKG has pledged to continue to work to improve and augment existing counternarcotics legislation and cooperate fully with the USG in its efforts to counter international drug trafficking. The presence in Hong Kong of DEA and other US law enforcement agencies has been instrumental in counternarcotics efforts in the territory as well as elsewhere in the region, and the USG hopes to see this cooperation continue beyond the reversion to Chinese sovereignty in July 1997.

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**Statistical Tables**

TABLES for CY		1995	1994	1993	1992	1991	1990
<b>Seizures /a</b>							
Opium	[mt]	0.001	0.010	0.042	0.029	0.051	0.066
Heroin	[mt]	0.354	0.542	0.223	0.563	0.138	0.212
Cocaine	[kg]	0.002	0.009	0.042	0.2	7.5	1.0
Cannabis	[mt]	0.912	3.190	0.515	3.107	0.173	2.40
Methamphetamine	[mt]	0.015	0.133	0.002	0.017	0.073	0.006
<b>Arrests</b>		11,793	15,601	12,733	6,645	7,813	7,600
<b>Domestic Consumption /b</b>							
Opium	[mt]	0.50	0.50	0.50	0.50	0.50	0.50
Heroin	[mt]	9.00	9.00	9.00	9.00	9.00	9.00
Cocaine	[mt]	0.05	0.05	0.05	0.05	0.05	0.05
Marijuana	[mt]	5.50	5.50	5.50	5.50	5.50	5.50
<b>Users (thousands) /c</b>							
Opium		0.5	0.5	0.5	0.5	0.5	0.5
Heroin		35.2	35.2	35.2	35.2	39.6	37.0
Cocaine		-	-	-	-	-	0.4
Marijuana		7.5	7.5	7.5	7.5	7.5	7.5

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(a) Figures for 1995 from the Royal Hong Kong Police Bureau January - November only.

(b) Estimates developed with the assistance of DEA Hong Kong.

(c) Figures extrapolated from total number of assumed users reported in CRDA's 28th Report multiplied by the percentage of individuals with known drug abuse. As the CRDA figures deal only with reported abusers, the number of actual the number of actual abusers is certain to be somewhat higher. CRDA emphasizes that exact figures for the addict population are not available since reporting is on a voluntary basis. Hong Kong authorities note that CDRA statistics for "hard" drugs such as heroin are fairly accurate and readily acknowledge that statistics are less accurate for "soft" drugs such as marijuana.

2/25/96

## INDONESIA

### I. Summary

While Indonesia is not a major producer of narcotics or a money laundering center, it is increasingly used as a transit point for Southeast Asian heroin, including transshipment to the US, Australia and Europe. As interdiction efforts increase in other countries, use of Indonesia as a transshipment point is expected to escalate. Indonesia's booming economy has created greater links to international markets, including increased air connections to the US and expansion of international shipping. Indonesia's tourism boom has increased the incidence of narcotics trafficking particularly in Bali. Indonesia's criminal code lists a limited number of illicit narcotics and does not include prohibitions against money laundering, both of which hamper Indonesian enforcement efforts. Indonesian enforcement authorities closely cooperate and coordinate with the interdiction efforts of DEA, the US Customs Service and the State Department's Officers.

### II. Status of Country

Marijuana is produced in large quantities in Northern Sumatra (Aceh) primarily for domestic consumption. It is the only narcotic produced in significant amounts in Indonesia. There is no evidence that marijuana from Indonesia enters the US. There are no accurate estimates on the amount of land committed to marijuana production.

Indonesia's enforcement authorities focus their efforts primarily on eradication of domestic marijuana production. However, in the last year, the Indonesian media have focused attention on the increased use of designer drugs ("ecstasy" among others) by young urban elites. This new focus on the importation of designer drugs from overseas may lead to greater recognition of the need to increase resources for enforcement efforts against narcotics other than marijuana.

The continuing relatively large number of cases of heroin smuggling in 1995 indicates that traffickers from Thailand, Nepal, and Burma are utilizing Indonesia for transshipment of heroin to the US, Australia and Europe. In 1995, there was evidence that West African traffickers were using Indonesia for transshipment of heroin to the US. These trends appear to be linked to increased efforts to curb heroin smuggling in other Southeast Asian countries. Indonesia is not currently a major drug transiting country, but could become one if current trends continue.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The government made no changes in its counternarcotics policy nor did it revise narcotics legislation.

**Accomplishments/Law Enforcement Efforts.** The Indonesian National Police (INP), in particular the Narcotics Subdirector, and Indonesian Customs continue their efforts to combat narcotics smuggling. There were a number of important cases involving drug trafficking and domestic drug dealing. For example, local authorities report a "ring leader" of a narcotics trafficking

group in Bali was arrested in March 1995 with 700 grams of heroin and other illegal drugs including cocaine, ecstasy, and hashish. Narcotics-related crime in the provinces of Bali, West Nusa Tenggara, East Nusa Tenggara and East Timor, increased from 68 cases in 1994 to 120 cases in 1995. Most of the offenses occurred in Bali. In these cases, 946.64 grams of heroin and 315.6 grams of cocaine were seized. In September 1995, Jakarta police arrested two West Africans with 800 grams of heroin hidden inside the heels of their shoes. The pair allegedly flew from Bangkok to Medan, Indonesia, and then drove to Jakarta, a difficult trip that takes thirty-six hours, with the ferry ride from Sumatra to Java.

In Darwin, Australia, Australian Federal Police (AFP) arrested an Indonesian citizen for transporting 20 kilograms of heroin powder. AFP found the heroin in the keel of a freighter flying the Belize flag. The ship sailed to Darwin from East Java with an Indonesian captain and crew.

**Corruption.** In 1995, there was no evidence that corruption by government officials encouraged or facilitated narcotics trafficking. The USG has no evidence of senior government official involvement in the production or distribution of illicit narcotics or money laundering. However, Indonesia's police, military and civil servants have relatively low salaries, which can contribute to corruption.

**Agreements and Treaties.** Indonesia has signed, but not ratified the 1988 UN Convention. Indonesia is not a party to the 1971 UN Convention on Psychotropic Substances. Indonesia has bilateral extradition agreements with Malaysia, the Philippines and Thailand. It does not have an extradition treaty with the US/Indonesia participates actively in international narcotics control efforts and is a member of the UN Commission on Narcotic Drugs. In 1995, Indonesia hosted the annual United Nations Heads of Narcotics Law Enforcement, Asia (HONLEA) conference in Jakarta.

**Cultivation/Production.** Cannabis is grown on the islands of Sumatra, Java, Bali, Sulawesi, and the provinces of West Nusa Tenggara and East Nusa Tenggara. However, the majority of cannabis production occurs in Aceh province in northern Sumatra, where it grows wild and under cultivation. Traditionally, cannabis is used by the Achenese as a spice in their cooking. GOI marijuana eradication programs have had a limited impact on domestic production because of the small amount of resources the GOI is able to allocate to drug eradication, the remoteness of jungle locations where cannabis is cultivated, and the practice of planting cannabis among other crops and under tree cover which makes detection from the air virtually impossible.

There is no evidence that opium poppies are cultivated in Indonesia. Police have not found heroin or cocaine laboratories. Indonesian Police believe that any heroin, opium, morphine, and cocaine sold in Indonesia is imported.

**Drug Flow/Transit.** Narcotics cases this year continue to confirm that Indonesia is being used as a transit point for shipment of Southeast Asian heroin to the US. Indonesia's extensive coast line and large number of ports and international airports make it a natural transit point for smugglers.

**Domestic Programs.** Domestic drug abuse is reportedly limited given the size of Indonesia's population. The majority of the rural population does not have a sizable disposable income, which limits the demand for narcotics. However, as the economy expands and the size and wealth of the urban middle class grows, there is likely to be a corresponding increase in the demand for narcotics. The designer drug "ecstasy" is readily available in popular urban discos and could be a catalyst for abuse of other drugs by the affluent and youthful populace. Drug abuse is reportedly spreading from upper-class youth to middle and lower class youth. The Minister of Education publicly reported that, according to 1989-1993 data, approximately 0.62 percent of Indonesia's total population is involved in narcotics and other drug abuse (including alcohol). The National Police Chief told parliament members during a commission meeting that 70 percent of drug abusers are high school and college students. However, information on substance abuse remains limited. There is no official registry of drugs abusers.

#### **IV. US Policy Initiatives and Programs.**

**Policy Initiatives.** The US encourages the GOI to ratify the applicable UN conventions on illicit drugs and supports modification of existing narcotics laws, especially to expand the list of illicit narcotics, as well as adoption of new legislation for money laundering. The US Embassy in Jakarta, DEA, and Customs attaches in Singapore coordinate cooperation with the GOI on narcotics matters.

**Bilateral Cooperation.** During 1995, the US Customs Service organized an in-country training program on airport interdiction and Police investigation which included DEA and US Customs trainers. The 32 Indonesian trainees were National Police and Customs officers. Six Narcotics Police and Customs officers attended regional training programs in 1995.

The US Coast Guard organized a two-week in-country port safety training program for sea communications officers (the Indonesian equivalent of the US Coast Guard) and port authority officers, which included narcotics interdiction training. The Indonesian trainees in all of these programs were selected from throughout Indonesia's islands and training was funded by the Department of State.

In 1995, a US Customs narcotics dog supervisor visited Jakarta to review the Indonesian narcotics dog programs at the request of Indonesian Customs. He advised both Customs and National Police on ways to improve their programs and provided a critique on how additional US training might benefit the Indonesians.

Under a letter of agreement, equipment was provided to both the Indonesian National Police and the anti-smuggling office of Indonesian Customs to expand their interdiction efforts. These items included test kits for heroin and other narcotics, bullet proof vests, cameras, a video recorder, two television sets, and two fax machines. US assistance increased Indonesia's focus on the importance of interdicting efforts to use Indonesia for transshipment of heroin. In addition, there were benefits for improved cooperation with US enforcement efforts.

**The Road Ahead.** Embassy Jakarta, in consultation with Singapore's DEA and Customs attaches and Indonesian authorities, has requested DEA in-country training as well as additional Coast Guard training for 1996. The USG will continue to advocate that the Indonesian Government revise its laws to pursue narcotics traffickers more effectively. In addition, the USG will advocate that the Indonesian Department of Justice draft and submit to the President and Parliament new money laundering legislation.

## JAPAN

### I. Summary

Japan is not a major producer of or transshipment point for illicit narcotics, but domestic methamphetamine use continues to be a significant problem. The methamphetamine addict population ranges between 400,000 and 600,000. Japan is a party to the 1988 UN Convention and has worked over the past few years to bring its laws into closer conformity with it. In 1995, Japan hosted the first annual Asian Drug Enforcement Conference as well as the Third Asian Money Laundering Symposium. Drug-related revelations connected to the Aum Shinrikyo incident in spring 1995 contributed to the government's decision to increase National Police Agency personnel by 3,500. DEA and US Customs representatives believe significant money laundering continues to take place in Japan despite the 1992 money laundering law.

### II. Status of Country

Primarily because domestic demand is relatively low, Japan is unlikely to become a significant country for the production of or trafficking in narcotics. Japan nonetheless remains Asia's largest consumer of methamphetamines, and Japan's efforts in international drug control fora often focus on this problem. In the past, the Japanese Government maintained there had been no incidents involving the diversion of precursor chemicals from Japan to drug trafficking organizations. However, in the spring of 1995, authorities discovered that the Aum Shinrikyo religious sect had secretly accumulated large quantities of controlled precursor chemicals. This finding cast doubt on the GOJ's ability to control precursors and raised the question of how many precursor chemicals may have been diverted to drug organizations in the past.

Separately, Japan's role as a major regional financial center makes it vulnerable to money laundering activity. Its banking laws afford among the greatest secrecy to depositors of any in the world. Despite the fact that legislation has existed since 1992 to tighten controls on money laundering, organized crime and precursor chemicals, the new laws have not been extensively utilized.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Japan's National Police Agency (NPA) hosted the first annual Asian Drug Enforcement Conference (ADEC) in Tokyo from March 13-17, 1995. The ADEC promoted the exchange of information on major drug trafficking syndicates on a regional basis. ADEC was the first conference of its kind to be held in Asia, and effectively promoted Japan as a leader in Asian drug law enforcement. Nineteen countries, including 12 Asian countries, sent representatives. During the last US-Japanese Common Agenda meeting, the Japanese inquired about the DEA heroin signature program, which is used to identify the production source of heroin through chemical signatures. The NPA sent a chemist to DEA in January 1996 to study the signature program. Separately, the NPA has assigned a liaison officer to the United States. After one month at DEA's Washington headquarters, he joined the New Orleans Division in Baton Rouge for the remainder of his tour.

In December 1995, the Japanese Government hosted the Financial Action Task Force/Commonwealth Secretariat's Third Asian Money Laundering Symposium. Over 100 participants from 27 countries and territories and five international organizations attended.

Japan is becoming an increasingly important donor to international counternarcotics efforts. In FY94 Japan contributed \$5.5 million UNDCP, and an additional \$250,000 to CICAD. In FY95, the figures were \$6 million and \$250,000 respectively. Japan does not have bilateral counternarcotics assistance programs, but Japanese officials have pointed out that agricultural assistance programs under the Japan International Cooperation Agency do contribute to efforts to promote economic alternatives for farmers in some drug-producing countries in South America.

**Accomplishments.** Japan extradited one person to the United States in August 1995 on drug-related charges. Japan is also generally very cooperative, on an informal basis, in law enforcement matters. The Japanese provide full cooperation in transit matters, though bureaucratic requirements allow limited flexibility and sometimes complicate time-sensitive cases.

**Law Enforcement Efforts.** Methamphetamine trafficking is acknowledged to be Japan's most significant drug problem and about 90 percent of all drug arrests involve that crime. Over 95 percent of all methamphetamine smuggling and distribution is believed to be controlled by Japanese organized crime groups, and police counternarcotics efforts thus focus on those groups. Cocaine and heroin use is small but growing.

Aggregate statistics on drug seizures and arrests are not yet available for 1995, but preliminary reports suggest that violations of the stimulants control law were up nearly 20 percent over 1994.

Japan's largest cocaine seizure ever took place--by accident--in October. Approximately eight kilograms of cocaine washed ashore in four rubber bags on an island off the coast of southern Japan. The finder turned the bags over to the police after suspecting that the white powder inside was drugs. Partly as a consequence of revelations concerning the Aum Shinrikyo religious sect, the NPA has requested a 3,500 person increase in police personnel. If approved, it will be the first increase in four years.

**Corruption.** Japan has no known drug-related corruption.

**Agreements and Treaties.** Japan has no narcotics-specific bilateral agreement with the United States or with any other country, nor does it have a mutual legal assistance treaty with the US. Nonetheless, the DEA reports excellent cooperation between authorities of the two countries in implementing the bilateral extradition treaty, and in information sharing and law enforcement cooperation more generally.

**Cultivation/Production.** Drug production is not a significant problem. However, during this reporting period Japanese investigators learned that Aum Shinrikyo cult leader Shoko Asahara had ordered the production of both narcotics and hallucinogens, including LSD and mescaline.



**Drug Flow/Transit.** In 1995, DEA reported that Nigerians and other West Africans continued to use Japan as a transit country for heroin. Information indicated that they imported heroin into Japan, where it was repackaged and shipped on to Europe and the United States. Thus far, there is no indication that the magnitude of the trafficking is sufficient to consider Japan a major illicit drug transit country.

**Domestic Programs (Demand Reduction).** Public service announcements on television and other drug abuse prevention programs have increased, but because of the perceived insignificance of Japan's drug problem, they remain limited in scope. Drug treatment programs, such as "Pride," are small and generally run by private organizations.

#### **IV. US Policy Initiatives and Programs.**

**Policy Initiatives.** The United States seeks greater Japanese sharing--on an official basis--of criminal intelligence, including criminal record information, in a straightforward and timely manner. We would like Japanese officials to afford US law enforcement officers the same opportunities to interview witnesses, suspects and defendants that the US routinely extends to Japanese officials.

**The Road Ahead.** The USG encourages Japan: to strengthen already enacted anti-narcotics laws in order to enable Japanese law enforcement officials to perform seizure of drug-related property and assets, to authorize law enforcement officials to conduct electronic surveillance in drug-related cases, and to consider enacting a "conspiracy statute."

## LAOS

### I. Summary

Laos ranks third among the world's producers of illicit opium, but production is far lower than in Burma and Afghanistan, the two leading opium producing countries. Laos is the only major producing country in which opium production has followed an overall downward trend in the last six years. In 1995, opium production in Laos rebounded from a draught-depressed 1994 level of 85 metric tons to reach 180 metric tons, approximately equal to production in 1993. Area planted in 1995 rose only 1,130 hectares to 19,650 hectares. Most of the opium cultivated in Laos is thought to be consumed domestically. Although the government strongly discourages the cultivation of opium, it has not banned it entirely because of concerns about social stability in the countryside, and the lack of economic alternatives for the ethnic minority groups, who would be most effected by a ban. During 1995, the Lao Government continued its efforts to expand its anti-narcotics programs by aggressively seeking both bilateral and multilateral donor support. Counternarcotic project goals include enacting drug legislation in compliance with requirements of the 1971 and 1988 UN Conventions, thereby allowing Laos to become a signatory to those documents; further reduction of opium production; improvement of drug enforcement; and reduction of addiction. Achievement of these goals will require significant assistance from international donors; response has been limited so far. The Lao Special Counternarcotics Unit, which was formed as a result of the 1992 bilateral USG-Lao Law Enforcement Project Agreement, is beginning to mature and actively pursue drug cases. Opium seizures rose from 54 kilograms in 1994 to 194 kilograms in 1995. 42 kilograms of heroin were seized, down from 62 kilograms in 1994. Lao Customs has continued to work effectively with the Special Unit and their joint efforts resulted in significant seizures of drugs during 1995. Specialized drug enforcement units are now being formed in the provinces. These units should expand the scope of operations and overall effectiveness of drug enforcement efforts.

### II. Status of Country

The Lao Government is attempting to address the problem of opium production through integrated rural development projects, educational outreach efforts, and counternarcotics law enforcement. The government, however, has limited funds or other resources to devote to drug control. Limited international donor involvement and an apparent scaling back of UNDCP efforts has meant that resources have not been sufficient to meet requirements. Illustrative of how projects impact on the Lao narcotics situation, prior to 1990, according to USG estimates, opium cultivation area in Houaphan province was approximately 10,000 hectares. By 1993, the third year of the Lao-American crop control project in two districts of the province, an approximate 50 percent reduction in cultivation was recorded. Commercial opium production had been almost totally eliminated, a fact corroborated by 1995 USG crop estimate data. The same is true in the UNDCP's Palavek project area. Prior to the initiation of the crop control project in that area, an estimated 5 metric tons of opium were produced annually. In 1995, only 300 kilograms were grown in Palavek, exclusively for use of the local addict population. Indeed, it appears that the Palavek area has become a net importer of opium.

In 1995, for the first time to our knowledge, an order was issued by the district governor in the Lao-American project area that planting of opium was prohibited and that any fields found would be destroyed. Efforts to monitor the opium production situation in Laos will continue with a UNDCP crop survey planned for the 1995/96 growing season.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Counternarcotics Master Plan: One of the most significant steps taken by the Lao during 1994 was the unveiling of a comprehensive drug control plan through the year 2000. The plan was developed under a UNDCP-funded project and addressed all aspects of the drug problem in Laos, including crop control, law enforcement, legislative development, demand reduction, and facilitation of international cooperation. Full implementation of the plan is premised on \$35 million in donor support. Specific counternarcotics goals and milestones include: reduction of opium cultivation to less than 70 metric tons by the year 2000 (an amount believed only sufficient to provide for internal consumption); no further increase in opium addiction between 1996 and 2000; comprehensive drug legislation adopted between 1996 and 2000; and ratification of the 1971 and 1988 UN Conventions between 1996 and 2000. Following formal adoption by the Lao Government of the plan in early 1994, the Lao National Drug Commission (LCDC) began actively to promote the plan's goals through presentations to the international community, in meetings with provincial governors, and with visiting officials from various countries. In 1995 the president of the LCDC personally solicited support from various potential donors and briefed the Asia Development Bank on the plan in support of a Lao Government request for bank funding support for specific projects.

**Legislative Developments.** In 1994, the French government provided funding for a legal advisor to the Vientiane staff of the UNDCP for a one-year period. The advisor worked closely with concerned Lao agencies and the National Assembly to develop counternarcotics legislation in accordance with the government's comprehensive counternarcotics plan. That assignment was completed in mid-1995. In late 1995, a UNDCP legal advisor visited Laos to assist further and make further improvements to Lao narcotics legislation. An updated draft has been completed and will serve as a focal point for legislative action which may come as early as the February, 1996 National Assembly session.

As recently as June 1995, the USG expressed its concerns over the minimal penalties for drug trafficking under Lao law and pointed out that this made Laos a very attractive alternative route for traffickers seeking to avoid the much harsher penalties in neighboring countries. The Lao Government heard this message and has been working actively on a revision of Article 135 (the Lao drug law) to strengthen the penalty section. The UNDCP is encouraging the Lao to go further and enact more comprehensive legislation at the time the revisions to Article 135 are made. At this point, it appears almost certain that some changes will occur during the next session of the National Assembly in February, 1996, but the extent of those changes is still in question.

Also during 1995, a group of USG legal experts visited Laos and met with Lao officials to explore ways that the USG can assist with the development of narcotics legislation. This effort is being coordinated with the UNDCP's program.

**Asset Seizure/Forfeiture.** Lao customs legislation, enacted in 1994, specifically authorizes seizure of contraband vehicles used to transport drugs, and they are occasionally seized. Draft legislation also includes a section on other asset forfeiture. A UNDCP legal advisor, who departed in mid-1995 after a one year assignment to Vientiane, stated that under current laws and judicial procedure, provisions are adequate to deal with narcotics violations and that the courts can order seizure of assets. Additional legislation would be required should the current authoritarian system of national political administration be modified in the direction of greater individual rights, including the rights of those accused of crimes.

**Accomplishments.** The Lao Counternarcotics Unit (CNU) continued its training and development during 1995, and showed that it is maturing as an investigative unit. The quality of investigations improved greatly even though the volume of drugs seized did not equal those of 1994 (a year when some sizable seizures of heroin at Vientiane's Wattay Airport contributed to a high total). One example of this increasing maturity and investigative capability was a case that started with the arrest of a female subject attempting to leave Laos at a river port with two units (1.4 kgs.) of heroin concealed on her person. Interrogation and follow-on investigation resulted in the arrest of two additional subjects and seizure of a total of 27.4 kgs of heroin.

During 1995 a follow-on training course was conducted jointly by the Thai police Narcotics Suppression Bureau (NSB) and DEA's Udorn office. The intensive training program gave emphasis to practical exercises conducted on the streets in Vientiane. Additionally, a DEA basic drug law enforcement training course was conducted in Vientiane with attendees from the Special Unit and from provincial police units. Coordination between the CNU and DEA's Udorn and Bangkok offices has continued to improve, although further improvement would aid drug enforcement effectiveness. DEA/Udorn has continued to provide assistance in development of investigative and administrative files for the CNU office and coordinates investigative matters on a regular basis. While still not as extensive as with some other law enforcement agencies in Southeast Asia, communication between Lao law enforcement and DEA has improved greatly in the past few years. The Lao Government and USG signed a fourth law enforcement project agreement in April, 1995, for support of this activity. Work is currently underway to equip and train newly-formed provincial counternarcotics units in Bokeo and Savannakhet provinces.

Slow but steady progress has continued in the Houaphan crop control project. The construction of the two mini-hydroelectric/irrigation dams is all but complete, and a turn-over of the dams to the provincial authorities is expected to occur in early 1996. Construction of two remaining dams in the original project design, is still in abeyance pending the availability of

funding. Estimates have been provided by project engineers for completion of the road portion of the project and it is hoped that all remaining road work will be completed prior to the onset of the monsoon season in mid-1996. During 1995, the balance of the Lao-American project staff participated in a study/observation program in Chiang Mai, Thailand, where they visited US-funded crop control projects.

The U.S. Customs Office of International Training provided a training course in Vientiane during 1995 and has conducted a pre-training survey in preparation for a train-the-trainer course in 1996. Also in 1995, the British government conducted a training program for Lao Customs officers and provided five high-speed boats for Customs use on the Mekong River. Three representatives from the Lao National Committee for Narcotics Control and Supervision (LCDC) participated in the Heads of Narcotics Law Enforcement Agencies (HONLEA) conference held in Jakarta in September, 1995.

**Law Enforcement Efforts.** Steady progress has been noted in the enforcement efforts of the Vientiane CNU. In 1995 the unit conducted successful investigations in fourteen trafficking cases, which resulted in the arrest of twenty-five subjects and the seizure of 42.7 kilograms of heroin, 11.4 kilograms of opium, 69.2 kilograms of dried marijuana, one pick-up truck, and drug funds equaling \$6,495. The unit also directed and participated in the eradication of 10.834 tons of marijuana in areas around Vientiane. In addition to the counternarcotics efforts reported by the CNU, incomplete data developed on provincial activities show the seizure of 182.1 kilograms of opium, 572 kilograms of dried marijuana, and eradication of 12 tons of marijuana.

**Corruption.** There is no evidence indicating high-level of systematic drug-related corruption on the part of Lao Government officials. The low pay level of government officials and military personnel makes them vulnerable to corruption, and some officials and military personnel almost certainly yield to the temptation of large financial reward offered by the illicit drug business. There is no convincing evidence that the Lao Government as a matter of policy encourages or facilitates the illicit production or distribution of drugs or the laundering of drug money, although it is entirely possible that some officials, including some at relatively senior levels, are aware of or involved in narcotics-related activities. The USG has no convincing evidence that specific senior Lao officials currently are directly engaged in, encourage, or facilitate the cultivation, production, or distribution of illegal drugs. Senior Lao officials have repeatedly insisted that no one in Laos is above the law and that anyone involved in the narcotics trade will be arrested and prosecuted. There are periodic reports in the local media of trials and convictions of government officials charged with corruption, though all recent cases were for non-drug-related offenses.

**Agreements and Treaties.** The US and Lao Governments signed a Memorandum of Understanding on Counternarcotics Cooperation in 1989 which was the basis for the six-year Houaphan crop control project. An extension of the Project Agreement has been signed in each subsequent year. In this final year of the Houaphan project, the Lao have expressed their willingness and desire to sign a new memorandum of understanding with the USG to continue cooperation in narcotics control efforts. The

Government of Laos signed the first Law Enforcement Project Agreement with the USG in 1992 and has signed three subsequent agreements. The Government of Laos does not have a mutual legal assistance or extradition treaty with the United States, but in the past it has cooperated in deporting a US drug trafficker to face prosecution in the US. Laos is a party to the 1961 UN Convention, but is not a party to the 1972 Protocol, nor to the 1971 and the 1988 UN Conventions, but senior Lao officials have stated that they accept the 1971 and 1988 UN Conventions in principle and are committed to becoming a party to each under the drug control master plan.

**Cultivation/Production.** Opium continues to be produced in the 10 northern provinces of Laos, where it has traditionally been used medically, socially, and as a cash or barter crop by the tribal people living in this area. USG estimates for Laos for the 1995 growing season show that Laos produced approximately 180 metric tons of opium on 19,650 hectares of cultivated land. This represents a slight increase in the area of cultivation from 1994 and a dramatic increase in opium production for the same period. This large increase in production is attributed to a return of good weather after a serious drought during the 1994 growing season. The Lao Government maintains that 1995 opium cultivation is lower than U.S. estimates indicate, but has no data on which to support such a claim. The Lao Government steadfastly maintains that its crop reduction efforts under bilateral and multilateral programs have had significant impact on production in Laos. There is general agreement that the programs are having a positive impact since the estimated area under cultivation in Laos has dropped by more than 50 percent since 1989, but the fact is production is up in 1995, as is the area under cultivation.

**Drug Flow/Transit.** Laos' ability to control the flow of narcotics within and across its lengthy borders is still severely constrained by lack of personnel, resources, expertise, and ready access to many parts of its border. Effective control over its borders with Thailand, Burma, China, Vietnam, and Cambodia exists only in the vicinity of major population centers, along principal land routes, and at established river crossings. Arrests of foreign heroin couriers in the Vientiane international airport, arrests at border crossing points into Thailand, Vietnam, and China, and reports of increasing trafficking into Cambodia all indicate the growing importance of Laos as an alternate transit route in the region. Information on the routes by which drugs transit Laos is extremely limited. Some drugs appear to move north through Luang Namtha and Phong Saly to China, while Bokeo and Oudomsay provinces on the Thai border serve as exit and transit areas in northwest Laos. There is no estimate of the extent of trafficking through Vietnam, but officials of both countries believe it is occurring and are increasingly concerned.

**Demand Reduction Programs.** Heroin addiction is not yet a problem in Laos, but opium addiction is widespread among the hill tribes living in the northern portion of the country. It is estimated that there are a total of 42,000 opium addicts who consume approximately 60 metric tons of opium annually. The Lao Government has continued its public awareness program to emphasize the dangers of narcotics usage and trafficking. With the help of

the USG and UNDCP, it has established integrated rural development projects which address opium poppy cultivation and opium use through programs aimed at the development of local agriculture and the provision of health, education, addict treatment and rehabilitation, and other government services. Four village-based detoxification/rehabilitation programs were conducted over the past two years in the UNDCP project area of Palavek with notable success. The first such program for the US-Lao Houaphan project is now planned for January, 1996. Demand has been reduced through these programs and the Lao Government hopes to add to its data on this program through an addiction survey planned for January, 1996.

**Policy Initiatives.** The USG continues to have two primary counternarcotics objectives in Laos: to help the Government of Laos eliminate opium poppy cultivation, and to suppress illicit trafficking of narcotics. The Houaphan crop control project has been the primary vehicle for accomplishing the first objective. The second is being pursued under a series of project agreements to support development of law enforcement and customs capabilities in Laos. Additionally, some support is provided under these project agreements to support the Lao National Commission for Drug Control and Supervision (LCDC) which has overall policy direction for anti-narcotics activities under the Office of the Prime Minister.

**Bilateral Cooperation.** Commercial opium production has been almost entirely eliminated in the Houaphan project area and has been greatly reduced throughout the province. Substantial progress has been made on the major components of the project such as roads, dams, health care facilities, and agricultural development. Major advances have been made in the development of counternarcotics law enforcement capabilities with the fielding of the Vientiane counternarcotics unit. Further improvement in drug enforcement capability will come with the formation of provincial units.

**The Road Ahead.** Although Laos faces severe resource constraints, it must be encouraged to act unilaterally to the greatest extent possible to realize the goals set forth in its drug control master plan. The USG will continue to support efforts in Laos. This support will include continuation of the Houaphan crop control project, expansion of the geographic area covered by the project, and expanded support for law enforcement efforts. Additionally, the USG will encourage other donor countries to support projects proposed under the Lao drug control plan. Without such donor support, Laos will be unable to achieve many of the counternarcotics goals it has set for itself, and will be unlikely to sustain an effective counternarcotics effort.

## Statistical Tables

### TABLES\* for CY

		1995	1994	1993	1992	1991	1990	1989
<b>OPIUM</b>								
Potentially harvestable	[ha]	19,650	18,520	26,040	25,610	29,625	30,580	42,130
Eradication	[ha]	0	0	0	0	0	0	0
Cultivation	[ha]	19,650	18,520	26,040	25,610	29,625	30,580	42,130
Potential Yield**	[mt]	180	85	180	230	265	275	380

### SEIZURES\*\*\*

Opium	[mt]	0.194	0.054	0.054	0.281	0.165	0.575	
Cannabis	[mt]	0.641	6.141	0.258	0.295	0.222	0.654	-
Heroin	[mt]	0.043	0.062	0.001	0.002	0.015	0.040	-

### CONSUMPTION\*\*\*\*

Opium:	[mt]	80	80	80	80	80	80	
Opium Users (est)		40-50,000	40-50,000	40-50,000	40-50,000	40-50,000	40-50,000	

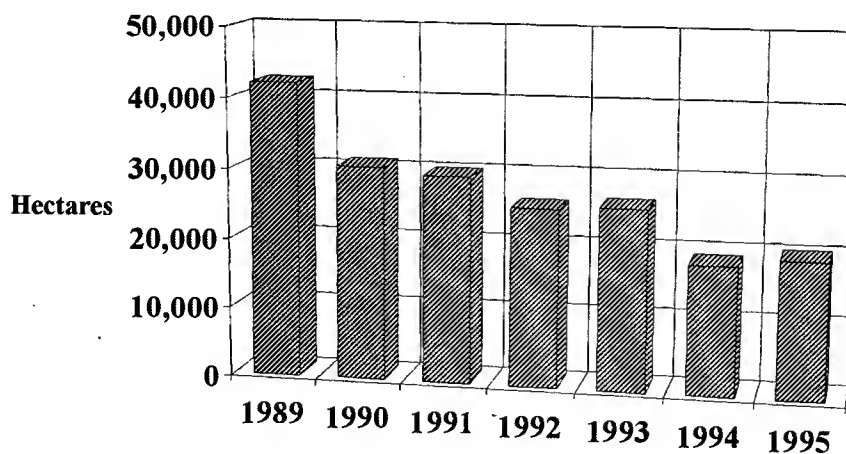
\* Narcotics and Law Enforcement statistics have not been kept in the past by the Government of Laos. Although the Counternarcotics Committee is now charged with the responsibility, most of the statistics above were gleaned in the Lao press.

\*\* Yield for 1994 uses the USG estimate of 4.6 kg of opium per hectare; 1993 figure was computed at 7 kg of opium per hectare based on a 1993 opium yield survey conducted in cooperation with the USG.; the 1992 estimate is based on an estimate of 9 kg per hectare.

\*\*\* 1994 Seizure data January - November.

\*\*\* Consumption figures based upon data provided in UNDCP survey.

**Laos Opium Poppy Cultivation 1989-1995**



25-Feb-96



## **MALAYSIA**

### **I. Summary**

Malaysia continues to be a major transit country for heroin. Domestic drug consumption and trafficking also remain serious problems. The Government of Malaysia (GOM) took several initiatives in 1995 as part of its vigorous battle against narcotics. In an effort to enhance coordination of counternarcotics activities, the Anti-Narcotics Task Force was transferred from the National Security Council to the Home Affairs Ministry, which also oversees the Royal Malaysian Police. The government plans to merge the task force with the narcotics division of the police and the GOM's anti-smuggling unit. The police reinforced its efforts to reduce the addict population by targeting and "cleaning up" areas of prominent drug trafficking and use. As result, thousands of addicts were placed in rehabilitation centers. Highlighted by the signing of a new extradition treaty in August, the US and Malaysia continued strong counternarcotics cooperation. Law enforcement and demand reduction training programs again played a prominent role in bilateral counternarcotics efforts. The Drug Enforcement Administration's office in Kuala Lumpur is actively participating in joint counternarcotics activities. The cooperation has already resulted in significant prosecutions in both the US and Malaysia. Malaysia has strict laws against drug trafficking that are stringently enforced. The Government of Malaysia has worked very closely with the US in efforts to combat drug trafficking in Southeast Asia. Malaysia is a party to the 1988 UN Convention. Vulnerability to money laundering activity is a concern of the Malaysian Government. The government has not yet adopted legislation to combat money laundering, but they continue to work closely with the Financial Action Task Force and its Asian Secretariat.

### **II. Status of Country**

No opium poppy is grown in Malaysia, but heroin base from Burma and Thailand are converted to heroin No. 3 for local consumption. Most local users inject heroin.

The Government of Malaysia reaffirmed Malaysia's severe anti-trafficking laws by extending the Special Preventive Measures Act for another five years. The Act grants law enforcement agencies the power to arrest and detain suspected traffickers for an extended period without trial. Despite harsh penalties, including a mandatory death penalty for convicted traffickers, illicit narcotics trafficking and use continue to be serious problems.

Observers continue to be concerned that Malaysia's offshore financial center in Labuan may become an attractive destination for money laundering. There is a seizure law for assets tied to narcotics crimes, but the government has not instituted a comprehensive anti-money laundering regime.

### **III. Country Actions Against Drug in 1995**

**Policy Initiatives.** Controlling the flow of illicit drugs and reducing the addict population continue to be priority goals for the Government of Malaysia. Several initiatives were taken during 1995 to improve Malaysia's

battle against drugs. The GOM's anti-narcotics coordinating body, the Anti-Narcotics Task Force, which had been under the purview of the National Security Council, was transferred to the Home Affairs Ministry. The move is expected to result in better coordination among the different agencies involved in counternarcotics activities, particularly with the police who also come under the Home Affairs Ministry. There are also plans to merge the Task Force with the narcotics unit of the police and the GOM's Anti-Smuggling Unit.

Complementing its enforcement efforts, the government renewed its emphasis on rehabilitation. The police engaged in massive "clean up" operations, which involved moving addicts off the streets and into rehabilitation centers. In an effort to make the rehabilitation process more effective and fair, the government has proposed amendments to the Drug Addict Act to make early release possible for rehabilitated addicts and longer treatment possible for "hard-core" addicts. The government also continued to establish more detention centers to accommodate the growing number of addicts.

In recognition of the seriousness of the narcotics problems, Parliament extended the Special Preventive Measures Act.

The Prime Minister also appointed a "drug czar" who will oversee the GOM's counternarcotics efforts, including police and anti-smuggling unit activities. His role is expected to be similar to that of the Director of the US Office of National Drug Control Policy.

**Accomplishments.** The Government of Malaysia continues its very substantial efforts to meet the goals and objectives of the 1988 UN Convention. It has established an interagency committee specifically to monitor Malaysia's compliance with the Convention. The committee meets regularly under the auspices of the Attorney General's office and makes recommendations on revising Malaysian laws to meet the requirements of the Convention. The government also actively participates in UNDCP programs for the region.

**Law Enforcement Efforts.** Malaysia continued to devote considerable resources to counternarcotics enforcement activities. From January to September 1995, the Royal Malaysian Police arrested 648 individuals for drug trafficking (up from 610 during the same period last year) and 1,497 for possession. In one celebrated case, the police arrested a gang figure who is believed to be a major drug trafficker in Malaysia. More than seven hundred suspected traffickers were also arrested under the Special Preventive Measures Act. Two illicit drug laboratories were destroyed during 1995.

The police and the Royal Malaysian Customs continued to cooperate with DEA on tracking Nigerian drug rings and other counternarcotics targets.

**Corruption.** While there is no evidence of senior government officials' involvement in narcotics trafficking or money laundering, corruption in the lower ranks of Malaysia's law enforcement agencies is known to exist. The agencies usually take corrective actions, but details are often not released to the public. The most common situation involves trafficking by prison guards. Almost 30 guards were arrested and punished for distributing illicit drugs last year.

**Agreements and Treaties.** After years of negotiation, Malaysia and the US signed a new extradition treaty during the August 1995 visit to Malaysia of Secretary of State Christopher. In furtherance of the goals of the 1989 US-Malaysia Memorandum of Understanding on Bilateral Narcotics Cooperation, the two governments also signed in August a Letter of Understanding in which specific training needs of the Royal Malaysian Customs are addressed. Malaysia is an original signatory to the 1988 UN Convention. The Convention entered into force for Malaysia in September 1993. Still not in full compliance with all of the requirements of the Convention, the Government of Malaysia continues its effort to bring domestic legislation in line with the Convention.

**Cultivation/Production.** Authorities suspect that a very small amounts of cannabis are cultivated in Malaysia, but information on total yield is not available.

**Drug Flow/Transit.** Malaysia remains a transit destination for heroin from its heroin producing neighbors. Thailand remains the major proximate source country for heroin produced in Burma transiting Malaysia, but recently Cambodia is also supplying significant amounts. Although some heroin is smuggled across the land border from Thailand, most of the shipments are via sea or air. Malaysian law enforcement agencies continue active cooperation with their counterparts in Thailand and Singapore.

**Demand Reduction.** The government continues to devote considerable resources to demand reduction activities. Prison and rehabilitation center officials participated in various demand reduction training, some of which was funded by the US government. As the police's effort to "clean up" the streets have heightened the need for additional rehabilitation centers, the government is pressing to transform former military barracks into rehabilitation centers. As detailed earlier, the government also proposed reforms to the Drug Addict Act to make the rehabilitation process more effective.

#### **IV. US Policy Initiatives and programs**

U.S. goals and objectives for Malaysia include:

--securing stronger and more effective counternarcotics cooperation from Malaysia's law enforcement agencies;

--improving Malaysia's interdiction and other enforcement efforts through training and cooperative activities; and

--continuing to push for full compliance with the 1988 UN Convention, including establishment of an effective anti-money laundering regime.

**Bilateral Cooperation.** The US and Malaysian Governments concluded a new extradition treaty, which, when ratified, is expected to boost bilateral law enforcement cooperation. Training programs sponsored by the State Department's Bureau of International Narcotics and Law Enforcement were well received. The DEA office in Malaysia is fully staffed and has started to engage actively in enforcement cooperation. Several significant cases were developed in both Malaysia and the US. The two governments also initiated cooperation in drug information exchange.

**Road Ahead.** As narcotics addiction and trafficking remain serious problems, the Government of Malaysia will continue to devote substantial resources to counternarcotics endeavors. The USG will continue to play an important role in the GOM's anti-narcotics efforts. In this regard, US agencies will focus on the following areas:

- providing interdiction-related training;

- encouraging the Government of Malaysia to adopt key anti-narcotics legislation such as an anti-money laundering statute; and

- encouraging better coordination among Malaysian agencies involved in counternarcotics activities.

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**Statistical Tables**

TABLES for CY		1995**	1994	1993*	1992	1991	1990
<b>Seizures</b>							
Opium	[mt	0.069	0.069	0.197	0.27	0.085	0.065
Heroin	[mt	0.040	0.187	0.264	0.106	0.238	0.189
Marijuana	[mt	0.746	0.641	0.869	0.434	0.869	1.129
<b>Arrests</b>		8,481	8,252	9,727	10,718	10,769	9,259
<b>Labs Destroyed*</b>							
Heroin		2	na	na	2	3	4

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Note: Heroin No.4 is not produced in Malaysia; Heroin No. 3 is converted from base for domestic sale, but quantities are unknown. Components for converting heroin base to heroin no. 3 were seized during two raids in 1992. The equipment, however, was not in operation when seized.

\*The Government of Malaysia provided data for January-December 15, 1993. Several heroin conversion labs were reported seized by the media, but the Royal Malaysia Police did not provide corroborative data.

\*\*1995 data is for January-September.

## NEW ZEALAND

### I. Summary

The Government of New Zealand (GNZ) expends considerable effort and resources to remain in the ranks of low-level narcotics trafficking and/or production countries. The greatest effort in terms of suppression activity is directed against indigenous cannabis production and consumption. New Zealand has signed, but not yet ratified, the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The National Drug Intelligence Bureau (NDIB) is the lead agency in suppression activity, using limited resources for maximum effect. Legislation to combat money-laundering is under consideration by parliament. If and when enacted, this will be a major step towards full compliance with the 1988 UN Convention.

### II. Status of Country

Due to its relative isolation and given the current attention paid by the NDIB, police, customs and health authorities, New Zealand is not likely to become a major producing or trafficking country, or a source of precursor chemicals.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** Legislation that would bring New Zealand into conformity with the 1988 UN Convention on the issue of money laundering is currently under consideration by parliament. There were no other policy initiatives in 1995.

**Accomplishments.** New Zealand is committed to meeting 1988 UN Convention goals, ranging from inhibiting illicit cultivation, production, distribution, sale, and transport of drugs to financing and fostering asset seizure, law enforcement, transit cooperation, and demand reduction.

**Law Enforcement Effort.** Narcotics eradication is taken seriously at all levels of the GNZ and law enforcement is vigorous. Two cases testing the 1993 asset seizure law are still pending in court.

**Corruption.** There are no known instances of official corruption in New Zealand involving illicit drugs.

**Agreements and Treaties.** New Zealand is not a party to the 1988 UN Convention; it is a party to the 1961 Single Convention and the 1972 Protocol Amending the Single Convention. The extradition treaty between the US and New Zealand dates from 1970. There is close cooperation with foreign law enforcement agencies, including the U.S., through existing customs, police, and INTERPOL arrangements and as well as informal contacts. Strict adherence to and interpretation of New Zealand's laws, especially its evidentiary rules, occasionally delay or prevent extradition.

**Cultivation/Production.** The main drug crop grown in New Zealand is cannabis. Available statistics indicate that although fewer plants were seized in 1995 than in 1994, the number has not varied greatly since 1992. Despite these efforts, increasing amounts of cannabis are reaching the streets. Cannabis growers are becoming increasingly sophisticated, complicating already-strained enforcement capabilities. With the exception of methamphetamines and LSD, New Zealand is able to produce most of the illegal drugs consumed within the country. Synthetic heroin known as "homebake" is manufactured for local consumption.

**Drug Flow/Transit.** Drug transit traffic does not appear to be a significant problem. From time to time an airport arrest is made of someone carrying heroin in cannabis oil believed to be from Nepal and enroute to the U.S.

**Domestic Programs (Demand Reduction).** New Zealand health officials are an integral part of NDIB and considerable effort and resources are given to education and rehabilitation. The Drug Abuse Resistance Education (DARE) program is used throughout New Zealand.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** USG goals and objectives remain unchanged, i.e., to encourage New Zealand enforcement authorities to enact money-laundering legislation and to eliminate drug production and control drug transit.

**Road Ahead.** The USG will continue to encourage compliance with the 1988 UN convention and provide information on narcotics trafficking through appropriate channels.

## **PHILIPPINES**

### **I. Summary**

The Philippines is a transit point for heroin and crystal methamphetamine, and an exporter of locally produced marijuana and hashish bound for the Pacific, East Asia, Europe, Australia, and the US. While legislation has been proposed, the Philippines still has not enacted money laundering and asset forfeiture laws. Heroin seizures declined in 1995, suggesting traffickers may have decreased their use of the Philippines as a transshipment site or that law enforcement authorities were unable to detect new trafficking routes or methods. Ratification of the 1988 UN Convention is still pending in the Philippine Senate.

### **II. Status of Country**

The Philippines remains a major producer and exporter of marijuana due to official corruption, ineffective enforcement, and ideal growing conditions. While most of the marijuana is exported to Japan and Australia, some of it is destined for the US. Geography and the lack of funding make it unlikely that sufficient eradication will be accomplished to have a significant impact on marijuana production in the near future.

Improvements in customs controls, especially in Cebu, and the classification of drug trafficking as a crime punishable by death have either convinced heroin traffickers to stop using the Philippines as a transit point for heroin bound for the US or prompted them to find new trafficking routes and methods through the Philippines. The Philippines currently has no domestic heroin problem; indeed, no drug treatment center has reported a single case of heroin addiction.

Crystal methamphetamine, the drug of choice among Philippine drug users, is imported from China, Hong Kong, and Taiwan. While there is evidence that the Philippines exports crystal methamphetamine to Guam and Hawaii, it is unclear whether the Philippines is producing crystal methamphetamine or is just a transit point. To date, no laboratories have been discovered, but lack of information on the importation of precursor chemicals and inadequate investigative resources make it likely that such labs could operate for a considerable period of time with little risk of discovery.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Although a realignment of the Philippine Senate prevented action on the Crime Control Act of 1995, the bill was reintroduced on January 3, 1996. If passed, the Act will elevate crystal methamphetamine (locally referred to as shabu) to the same category as heroin and cocaine for purposes of criminal penalties. The draft legislation also contains provisions that would prohibit plea bargaining in drug cases, criminalize money laundering, and provide for asset forfeiture. In addition, the government is considering a number of measures to improve the Philippine National Police (PNP), including increased pay and additional training, under a proposed PNP modernization plan.



**Accomplishments.** The Philippine Government has an active marijuana eradication program that has received assistance from the US Naval Criminal Investigative Service in the past. As noted in the policy initiatives section, the Philippines is working on legislation to criminalize money laundering and allow seizure of assets. Extradition and mutual legal assistance treaties with the US were ratified by the Philippine Senate and are now pending before the US Senate for its advice and consent to ratification. For reasons noted in the section on corruption, precursor chemical control has been largely ineffective. Drug education has become an integral part of the school curriculum.

**Law Enforcement Efforts.** The Narcotics Command (NARCOM), the PNP anti-narcotics unit, has had some success in making the Philippines a less attractive transit point for heroin. However, NARCOM lacks the resources and training required to mount the large scale investigations necessary to dismantle local drug networks. Most of NARCOM's arrests and seizures result from buy-bust operations, tips and accidental discoveries.

**Corruption.** The GOP has yet to address effectively corruption of both police and customs officials, even though corruption among both groups is widely recognized as a major barrier to anti-narcotics efforts. Indeed corruption among customs officials has made it extremely difficult for the Dangerous Drug Board (DDB) to track the import of precursor chemicals. A number of police officers have been relieved of duty for possession or use of drugs but there have been no arrests of high-level police officials on narcotics related charges. In one case, a foreign trafficker detained at NARCOM headquarters managed to walk out of his cell while his guard was "distracted." Only the guard was punished, but it is unlikely that he acted alone since NARCOM is located in the middle of a walled police base with relatively good access controls.

**Agreements and Treaties.** 1995 saw Philippine Senate ratification of both the mutual legal assistance and extradition treaties. The Philippines is a party to the 1961 UN Single Convention on Narcotics Drugs, its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances, and has signed but not yet ratified the 1988 UN Convention.

**Cultivation/Production.** While marijuana is grown throughout the Philippines, the major areas of production are concentrated in the mountainous regions of Northern Luzon and Mindanao. There is some evidence to suggest that crystal methamphetamine is being produced locally but no local production facilities have been discovered.

**Drug Flow/Transit.** The use of the Philippines as a transit point for heroin couriers may have decreased in 1995 as a result of increased enforcement efforts at the Philippines' international airports. In the last two quarters of 1995 US Customs was unable to trace any heroin seizures back to the Philippines. Private boats and shipping containers are used to smuggle marijuana and hashish out of the country. Although some reached the United States, the quantity has been determined not to affect the US significantly.

**Demand Reduction.** The Dangerous Drug Board (DDB) works with the Department of Education, Culture, and Sports (DECS) to implement the government's preventive education program. Drug abuse education is integrated into the curriculum at all levels from elementary to college. The Philippine Drug Abuse Resistance Education (Phil-DARE) program is also active in selected schools in Manila and a few provinces. The DDB's community-based education program and the DECS program enjoy the involvement and support of numerous non-governmental organizations. The DDB also oversees a large network of government and private treatment and rehabilitation centers.

#### **IV. US Policy Initiatives and Programs**

##### **US Policy Initiatives.**

-- Continue to work with Philippine authorities to prevent the Philippines from being used as a transit point by heroin couriers bound for the US.

-- Use USG funded training to improve the ability of Philippine authorities to act against drug trafficking organizations.

-- Support ratification of the 1988 UN Convention and encourage passage of the proposed anti-money laundering and asset forfeiture laws.

**Bilateral Cooperation.** The DEA continues to work closely with NARCOM and other Philippine Government agencies to reduce the flow of drugs from the Philippines to the US. USG-funded training of Philippine officials from NARCOM, Customs, Immigration, and the PNP has resulted in increased cooperation and improved enforcement capabilities. USG-funded radios and computer equipment enhanced NARCOM's ability to conduct investigations and to coordinate the efforts of its agents in the field. A Train-the-Trainer Workshop will be presented by US Customs to Philippine Customs and other appropriate law enforcement officers in FY 96.

## **SINGAPORE**

### **I. Summary**

Singapore neither produces nor processes narcotics. Due to its preeminent role in regional shipping and finance, international traffickers continue to use Singapore for storage and transit of narcotics and, we suspect, the laundering of drug proceeds. Government of Singapore (GOS) enforcement efforts are directed against local consumption and sale of narcotics and are highly effective. Singapore authorities continue to track traffickers, and are cooperative in sharing law enforcement information with other countries in the region. Working relations with their USG counterparts are excellent.

### **II. Status of Country**

Singapore does not produce or process narcotics and is unlikely to become involved in such activities in the future. Singapore's strict and well-publicized enforcement of the death penalty for drug traffickers helps discourage narcotics use. The number of drug traffickers hanged in Singapore has increased dramatically in the last two years, reinforcing the GOS tough stand on domestic illicit drug activity.

The GOS continues to be concerned about the increase in addiction rates and the repeat drug offenders who have undergone rehabilitation. There are currently about 9,000 addicts undergoing rehabilitation in Singapore treatment centers. This is a 15 percent increase over last year's numbers. Addicts undergoing rehabilitation are becoming repeat offenders at a present rate of 81 percent. The GOS is initiating enhanced drug awareness efforts in schools and public awareness campaigns at the local level to target this problem. Punitive measures, including caning and a prison sentence are being strongly considered for repeat offenders who have been through the rehabilitation program four or five times.

Intercepting narcotics being transshipped through Singapore continues to be the greatest deficiency in enforcement efforts. GOS officials are reluctant to stiffen enforcement measures at the risk of slowing the transshipment of goods through Singapore's efficient port. However, GOS officials show greater willingness to share information with their USG counterparts on specific cases. Singapore authorities assisted the USG last year in a significant international heroin trafficking investigation resulting in two Singaporeans being extradited to the US to face charges.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** GOS officials indicated their willingness to negotiate a so-called "Designation Agreement" with the USG to provide a framework for information sharing on drug-related money laundering cases in accordance with Singapore's Drug Trafficking (Forfeiture of Benefits) Act of 1992. Discussions are expected to commence in 1996.

**Accomplishments.** Singapore does not cultivate or produce narcotics or precursor chemicals. Monitoring of the distribution and sale of chemicals could be improved. The transshipment of narcotics through Singapore remains an issue, as discussed above. The GOS has authority to seize assets, and continued to be cooperative with USG extradition requests in 1995. Demand reduction efforts are focused on drug rehabilitation, which received increased funding and press attention in the last year.

**Law Enforcement Efforts.** Singapore's Central Narcotics Bureau (CNB) is effective and substantially free from corruption.

**Agreement and Treaties.** Singapore is a member of the Financial Action Task Force (FATF), and adheres to extradition treaties signed between the US and the UK prior to independence. Singapore is not yet a party to the 1988 UN Convention, but cooperates well with USG and undertakes impressive steps on its own to meet the Convention's goals and objectives. The GOS is a party to the 1961 UN Convention, and its 1962 amending protocol, as well as to the 1971 UN Convention.

**Cultivation and Production.** Singapore does not cultivate or produce illicit narcotics or precursor chemicals.

**Drug Flow/Transit.** Because of Singapore's geographic position and because it is one of the largest ports in the world, Singapore is vulnerable to illicit containerized narcotics transshipments. Similarly, the airport, as a regional hub, is a drug transshipment point.

**Domestic Programs.** Singapore frequently enforces the death penalty for drug trafficking, which is credited as a significant deterrent. The GOS has mustered greater resources for rehabilitating addicts, although the number of addicts is still on the rise. Private rehabilitation programs are also active, and may receive government financing.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG places high priority on negotiating a "designation agreement" with Singapore to enable greater information sharing with respect to money laundering cases.

**Bilateral Cooperation/Road Ahead.** The USG will emphasize efforts to persuade Singapore to become a party to the 1988 UN Convention, and to obtain cooperation in monitoring distribution and diversion of vital and precursor chemicals.

## TAIWAN

### I. Summary

In recent years Taiwan has faced a growing problem with heroin trafficking and rising domestic addiction. This led to a major effort by the Taiwan authorities to stop the flow of heroin and reduce domestic usage. Taiwan continues to implement an aggressive domestic counternarcotics program which it says has led to a decline in drug trafficking, demonstrated by lower seizure rates, and consumption in Taiwan. Authorities now estimate Taiwan has 60,000 heroin addicts. Taiwan has under legislative consideration draft laws that will bring it closer to conformity with some provisions of the 1988 UN Convention. Legislation or agreements regarding asset forfeiture, extradition, mutual legal assistance, illicit trafficking by sea and money laundering have yet to be enacted. The Taiwan authorities have expressed an interest in developing agreements in some of these areas and have been willing to cooperate informally in the area of controlled delivery. Taiwan's cooperation with U.S. anti-narcotics efforts (conducted under the auspices of the American Institute in Taiwan) has substantially expanded over the past year, and the unofficial offices representing the US and Taiwan are negotiating a new MOU on even broader counternarcotics cooperation. The working relationship with DEA and other U.S. agencies involved in counternarcotics is good. The Taiwan authorities have stressed their strong determination to combat the heroin trade. In recent years, East Asia has seen a significant growth in heroin trafficking, paralleling expansions in legitimate trade and commerce. Trafficking routes have proliferated and traffickers have expanded into new markets, including Taiwan. The Taiwan authorities continue to dispute U.S. claims that the island is a significant transit point for heroin. There is no dispute, however, that Taiwan has been a fast-growing and lucrative market for traffickers. Asian organized crime groups active in the heroin trade are known to be active in Taiwan.

### II. Status of Country

Taiwan is not a significant cultivator or producer of illegal narcotics, but the illegal consumption of both heroin and methamphetamines is a serious social problem. Taiwan has been a significant producer of illicit amphetamines, but due to aggressive police efforts and changing market forces within the drug trade, production facilities appear to be continuing their shift to mainland China. Despite the energetic and broad range of anti-narcotics activities undertaken by Taiwan's law enforcement authorities against the illegal narcotics trade domestically, the continued and extensive involvement of organized criminal elements from Taiwan in regional narcotics trafficking remains a serious problem. International law enforcement organizations are concerned that Taiwan ports, like other busy container ports in the region, are being used as transit points for narcotics shipments en route to other destinations. Kaohsiung is already the world's third busiest port in terms of container traffic after Hong Kong and Singapore, and is a major transit and transshipment center for shipping to and from Southeast Asian ports.

Monitoring this traffic for smuggling is a difficult task. Of the 2,904,360 shipping containers entering Keelung and Kaohsiung ports between January and November 1995, 24 percent were 'in transit,' and, according to standard international practice, not normally subject to inspection by Taiwan customs. Customs inspects 15 percent of the remaining containers that are actually imported into Taiwan.

Experts say money laundering in Taiwan is not solely connected to narcotics trafficking, but is also related to activities such as illegal manufacturing and insider trading on the securities market. Money laundering in Taiwan has been a largely underground phenomenon, with jewelry stores, leasing companies, and pawn shops serving as major capital movement channels.

### **III. Country Actions Against Drugs IN 1995**

**Policy Initiatives.** Taiwan is continuing an aggressive counternarcotics effort that includes harsh sentences for narcotics trafficking (including capital punishment) and social rehabilitation programs. New legislation is under consideration to augment existing counternarcotics laws and bring Taiwan into conformity with the 1988 UN Convention and recommendations of the Financial and Chemical Action Task Forces relating to money laundering and precursor chemical controls.

**Accomplishments.** The Ministry of Justice (MOJ) reports a decline of 27 percent in overall drug prosecutions in the first ten months of 1995, which MOJ attributes to a decline in both drug consumption and drug trafficking into Taiwan. Shipments containing 245 kilograms of heroin were seized, and seven amphetamine labs were destroyed in 1995. Cooperation and information exchanges between US and Taiwan law enforcement authorities, via the unofficial offices representing both sides, have expanded substantially over the past year.

**Law Enforcement Efforts/Corruption.** The Ministry of Justice Investigation Bureau (MJIB) and the National Police Administration's Criminal Investigation Bureau (CIB) are Taiwan's lead counternarcotics law enforcement agencies. Through October 1995, 29,723 narcotics-related arrests were made, 22,599 convictions were obtained (as of September), 245 kilograms of heroin were seized, and seven amphetamine labs were destroyed. The Ministry of Justice (MOJ) plays a major role in formulating policies, drafting legislation, and promoting educational and rehabilitation programs for drug users. There have been no reported cases of involvement in narcotics by the Taiwan authorities, nor does public policy support the production or distribution of illegal drugs.

**Agreements and Treaties.** In 1992, CCNAA signed a memorandum of understanding (MOU) on cooperation in criminal prosecutions with the American Institute in Taiwan (AIT), which represents U.S. interests in Taiwan. AIT and its Taiwan counterpart, the Taipei Economic and Cultural Representative Office (TECRO), are negotiating a new counternarcotics MOU which includes a broader range of cooperation in narcotics-related law enforcement, information sharing, legal assistance, training, education, and treatment programs.

Taiwan is not now party to any other formal bilateral counternarcotics agreements. Taiwan cannot be a signatory to the 1988 UN Convention because it is not a UN member. Nevertheless, Taiwan authorities state they are committed to bring Taiwan's counternarcotics laws into conformity with the provisions of the Convention. A bill to do so has passed its first reading in committee and awaits further action by the full legislature.

**Cultivation/Production.** There is no information indicating cultivation of poppy, coca, or cannabis in Taiwan. Nor is Taiwan a significant producer of illegal narcotics. According to MOJ, law enforcement efforts, including the destruction of seven amphetamine labs, have caused amphetamine labs to move to Fujian province, in mainland China, although they remain financed in part by Taiwan traffickers.

**Drug Flow/Transit.** Seizures in the US of heroin in 1991 and hashish in 1995 show that Taiwan has been used as a transit point by narcotics traffickers. From January to November 1995, Taiwan authorities seized 245 kilograms of heroin, a 64 percent decline compared to 1994. The decline in the seizure rate may be a result of reduced domestic consumption or of increased sophistication on the part of narcotics traffickers. While most heroin is smuggled into Taiwan on cargo ships, there have also been arrests of airline passengers carrying drugs. Smuggling of methamphetamines from mainland China to Taiwan is generally done by fishing boats.

**Domestic programs (Demand Reduction).** The Taiwan authorities estimate there are 60,000 heroin addicts in Taiwan, compared to their 1994 estimate of 30-40,000. Although the estimate has increased, this may not reflect an increase in consumption, since Taiwan authorities say they have used a new and more accurate method of calculation to derive the 1995 figure. Although the number of juvenile users has dropped dramatically, by 49 percent in 1994 and a further 30 percent in 1995, methamphetamine usage continues to be a serious social problem. In recent years, Taiwan has implemented an aggressive media campaign to educate the public on the negative consequences of drug use. Urinalysis is becoming more widespread as a means to identify drug abusers, and Taiwan authorities have undertaken a variety of programs to reduce narcotics-related recidivism among its criminal population -- including religious education in the prison system and half-way houses for newly-released prisoners.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The US through the American Institute in Taiwan has vigorously pursued closer working-level cooperation on counternarcotics matters to increase information exchanges and joint operations. During the past year Taiwan authorities have substantially expanded cooperation in these areas. In 1996, the US looks forward to completion of the AIT-TECRO Counternarcotics MOU, and to further enhanced cooperation within the framework of that agreement.

## THAILAND

### I. Summary

Thailand remains the principal transit route for Southeast Asian heroin. During the past year, Thailand continued to cooperate with the U.S. and other countries to reduce the flow of heroin from the Golden Triangle. The decision of the Thai courts to find former member of parliament Thanong Siriprechapong extraditable on U.S. drug charges marked a step forward in judicial cooperation. On January 18, 1996, Thanong became the first Thai national to be extradited to the United States. Ten defendants arrested in 1994 in Operation Tiger Trap are still undergoing extradition proceedings. These cases should be completed in 1996. Another important narcotics fugitive was arrested in 1995 by the Thai police. Thai opium production in the 1994-95 growing season increased to an estimated 25 metric tons from last season's all time low of 17 metric tons. When compared to production in neighboring Burma (2,340 metric tons), Thailand's production of opium is not a significant contribution to regional production. Nevertheless, the Thai Government continues to mount an aggressive eradication campaign. Thai officials plan to introduce money laundering legislation to parliament in the session beginning in March 1996. When money laundering laws are passed, Thailand intends to become a party to the 1988 UN convention, since all other requirements have been met. The first convictions under the asset seizure and conspiracy laws were obtained in September. Security forces continued to blockade the northern border with Burma, shutting off supply routes which have sustained narcotics producing groups like the Mong Tai army and other narco-trafficking groups. The new Northern Drug Task Force, which is partially funded by the U.S., has begun active drug investigations and played a role in seizures of arms and illicit chemicals. Work is underway, with U.S. assistance, to establish a second task force in Bangkok. The change in governing coalitions resulted in greater focus on the issue of corruption. Controversy over the U.S. visa ineligibility of two senior members of the leading coalition party has led to some public and media accusations of US interference in Thailand's internal affairs. Nevertheless, US authorities continue to benefit from good cooperation with drug enforcement agencies. The current Thai Government has publicly proclaimed a strong stance against drug trafficking, but still needs to act on money laundering legislation and the extradition of the Tiger Trap defendants.

### II. Status of Country

Thailand grows only a small amount of opium and remains a net importer of opiates. Thailand remains the principal transit country in Southeast Asia for drugs destined for the international market. The Border Patrol Police (BPP) destroyed one sizable heroin refinery in 1995. Improved road systems in northern Thailand, part of the government's program to provide development opportunities for Thailand's ethnic minorities, have had the unfortunate side effect of improving transportation links used by international drug trafficking organizations. These same roads in the past made it relatively easy for narcotics trafficking groups in Burma to import commodities from Thailand. In addition to legitimate commodities, materials imported from Thailand have included precursor



chemicals used in heroin processing and military weapons used by drug trafficking militias in Burma's Shan State. The trade in arms, chemicals, and supplies headed into Burma and the flow of illicit commodities from Burma has been curtailed due to a blockade of major transit routes along the border which has been maintained by the Thai Army for the past two years.

High-quality marijuana is still produced in northeastern Thailand, although production has been reduced due to the efforts of police and security forces in recent years. There continue to be reports of marijuana cultivation in the northern and southern regions of the country.

Thailand's sophisticated banking system (in comparison to its immediate Golden Triangle neighbors) and the presence of an active quasi-legal non-bank financial system provides opportunities for money laundering. If Thailand enacts money laundering legislation in 1996, Thailand may become a less attractive locale for money laundering.

Opium and heroin production in the Golden Triangle have remained at very high levels for several years and continue to meet the demand of Thailand's drug addicts. Thailand's booming economy creates an expanding local market structure for traffickers. Heroin is replacing opium as the drug of choice among Thailand's hill tribes. The local use of heroin supports the activities of drug trafficking organizations within the country and allows for the expansion of their networks throughout northern Thailand. Heroin use among other population groups has also emerged as a social problem. A new study on the drug abuse situation in Thailand produced by the Thai Development and Research Institute (TDRI), with USG support, reported the existence of 1.27 million drug addicts in the country as of 1993. This figure comprises those abusing stimulants and inhalants, heroin, and marijuana and amounts to 2.2 percent of the population of Thailand. The fastest growing user groups are those using stimulants, with methamphetamine abuse becoming a serious problem.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** During the past year, the Royal Thai Government (RTG) continued its five-year narcotics control plan (1992-1996). The government also continued work on several policy initiatives begun in 1994, including closure of the northern border to illicit trade and work on anti-money laundering laws. Budgetary resources devoted to drug control increased. The new government is also implementing increased penalties for possession of certain drugs -- particularly amphetamines.

In continuing its policy of reducing the flow of illicit drugs from Burma and to reduce outside logistical support for Burma-based insurgent groups engaged in trafficking, the Royal Thai Army (RTA) and security forces maintained a policy of shutting off major roads and trafficking routes near insurgent-held sections of Burma. The policy was put into effect July 1994 under the previous government and has been continued by the current government, which came into power following elections in July. The border remains closed although the effectiveness of the closure has been diminished

by corruption among mid-level Thai military officers. The reduction in the flow of goods from Thailand into Burma over the major transportation routes in the north caused economic and logistical difficulties for Khun Sa and his Mong Tai Army (MTA) and may have been a factor in the recent ceasefire between the MTA and the Burma Army. The arrests of major broker/traffickers in the Tiger Trap operation also placed financial pressure on Khun Sa's organization and was a factor in exacerbating tensions between Khun Sa and some elements in his militia forces. As a result of these actions, heroin prices rose and commodities were in short supply in the border areas of Burma. These actions, coupled with increased pressure upon the Mong Tai Army by the Burma Army and elements of the Wa minority group, disrupted Khun Sa's trafficking organization, and contributed to the circumstances causing Khun Sa to reach an accommodation with the Burmese Government, which now occupies areas previously controlled by the Mong Tai Army. Although Khun Sa has now reached an accommodation with the Burmese Government, efforts to maintain control over the northern border of Thailand and deny access to narcotics traffickers will remain necessary.

The northern border areas adjacent to Burma encompass some of the most difficult terrain in the region and a complete sealing-off of crossing points, such as small river valleys and pack-and-mule trails connecting the insurgent-held areas with Thailand is extremely difficult. A special task force continues to monitor and control the border, restricting transit of goods over major routes and, to the extent possible, smaller trails. Forced use of these less efficient routes has notably decreased the ability of the Burmese traffickers to resupply themselves.

Building on work begun in 1994, the money laundering law drafting committee, which includes anti-narcotics, finance, and police officials as well as representatives of the financial sector, completed a draft money laundering law which was being submitted to the Thai Cabinet just prior to the dissolution of the Chuan government in May. Following the July elections a new government coalition took power and the draft has been resubmitted to concerned departments for review. Senior officials have advised that the law will be introduced during the next full parliamentary session, beginning in March, 1996. There has been a continuing high level of interest in the money laundering issue in academic, official, public, and financial sectors. Although there has been some criticism of such laws, most Thai observers view the introduction of money laundering controls in a positive light.

**Accomplishments.** The Royal Thai Government is in compliance with the 1988 UN Convention with the exception of having in place anti-money laundering statutes as described above. It has -- and enforces -- laws against the cultivation, production, distribution, sale, transport, and financing of illicit drugs. Recently the government took steps to increase penalties for possession of stimulants such as methamphetamines through food and drug regulatory controls. The asset seizure and conspiracy law that was implemented in mid-1992 continues to generate cases and the first criminal convictions and forfeiture actions were handed down in the fall of 1995. As of mid-December a total of 138 cases have been opened under the asset seizure and conspiracy statutes. Assets sequestered currently total over 9

million dollars. This represents an increase in case activity of 54 cases and \$1 million in assets compared to last year. The US-Thai Mutual Legal Assistance Treaty (MLAT) that went into effect in 1993 has been employed in several criminal cases. Thailand has cooperated with the US under the 1929 extradition treaty and former member of parliament (MP) and fugitive Thanong Siriprechapong was extradited to the United States in January 1996. Thanong was the first native-born Thai citizen to be extradited to the United States from Thailand. This case has set an extremely important precedent in US-Thai international drug control cooperation. With the extradition of Thanong to the United States- the first extradition of a Thai citizen- Thailand has shown its willingness to cooperate fully in drug control efforts. Extradition proceedings for the first ten defendants, arrested in operation "Tiger Trap" in November 1994, are underway, but have not yet been concluded.

Appropriate legal controls exist on all precursor chemicals listed in the 1988 UN Convention, and various Thai Government and non-governmental agencies are involved in demand reduction activities at both the national and local level. Thailand is a member of the UN Commission on Narcotic Drugs (CND). Thailand hosted the ASEAN drug control meetings during 1995 and works closely with the UNDCP in regional efforts.

**Law Enforcement Efforts.** As current policies regarding Burma limit US influence and operational capabilities in that country, Thailand continues to be most significant platform from which to promote expanded cooperation on drug enforcement and control in the region. The Office of the Narcotics Control Board (ONCB) and the Police Narcotics Suppression Bureau (PNSB) are the major organizations with responsibility for the development and implementation of anti-narcotics law enforcement programs. Both have offices throughout the country and cooperate with local police and law enforcement bodies in narcotics cases. Both are involved in a new program to establish drug enforcement units in local and provincial police organizations. This plan should free PNSB and ONCB enforcement officials to focus more closely on major drug cases and kingpin operations, like Operation Tiger Trap. The narcotics task force in northern Thailand, a project begun last year, was completed and is in operation. This unit brings together officials from both ONCB and PNSB who jointly develop drug investigations. US support for this project has been provided by the DEA, the Department of Defense (DOD) and the State Department. A second regional task force, to serve central Thailand, is being created in Bangkok. Following completion of the Bangkok project, a Southern task force is planned.

The Royal Thai Army (RTA) and security elements continue to limit transit on the northern border. The RTA, Border Patrol Police and other units have been active during the year in suppression of arms drug-related trafficking and have made several important seizures of explosives and arms. The Northern task force was instrumental in developing information leading to the seizure of surface-to-air missiles bound for trafficking armies in Burma. Thai authorities also seized large quantities of precursor chemicals during 1995, and destroyed a heroin refinery in northern Thailand. Joint activities between Thai and US law enforcement officials continue to produce results in asset seizures, drug information collection and investigations. Enforcement actions in southern Thailand and near Cambodia resulted in

the arrest of Cambodian traffickers earlier this year. US and Thai officials also cooperate in international investigations, including cases involving West African trafficking groups that are a continuing problem in Thailand and the region. Thai officials cooperate with neighboring countries through outreach and enforcement training and liaison.

According to ONCB figures, over 440 kilograms of heroin were seized in the period January through October 1995. Drug-related cases totaled over 88,000 during the same period. As noted earlier, 138 cases brought under the asset seizure laws involve over \$9 million as of December 1995. The first convictions were obtained under the asset seizure and conspiracy laws in September 1995 and Thai enforcement officials believe this precedent will enable quicker action on such prosecutions in the future. The extradition cases involving the first ten defendants in operation "Tiger Trap" are still in the court system. All Tiger Trap defendants remain in custody and no bail has been granted in these cases. Thai courts do not hold sequential hearings but accept testimony on a scheduled basis -- often hearing a particular case only once each month. The process, therefore, is lengthy.

**Corruption.** As a matter of policy the Royal Thai Government does not countenance the cultivation, production, sale, or financing of illicit narcotics. The Counter Corruption Office (CCO) is responsible for investigations of allegations of official corruption, including drug-related cases. The Royal Thai Police have a reputation for corruption, especially at lower levels. However, the Police Narcotics Suppression Bureau (PNSB) and the Office of the Narcotics Control Board (ONCB) are thoroughly professional. These units have benefited from over twenty years of institution building and cooperation with the foreign anti-narcotics community -- especially US government organizations.

During the run-up to the July elections and in the period immediately after the elections, the issue of previously denied US visa applications (based on a reason to believe they were involved in the drug trade) for two very senior members of the leading coalition party resurfaced and received considerable media attention for several months. Both of these individuals have expressed interest in Cabinet positions, but have not been appointed to the Cabinet.

**Agreements and Treaties.** When Thailand implements money laundering laws, it will have fulfilled all requirements for compliance with the 1988 UN Convention. The US-Thai Mutual Legal Assistance Treaty has been in effect since the middle of 1993 when the articles of ratification were exchanged, and US requests for assistance under the treaty have been consistently honored by the Royal Thai Government. The extradition of the former member of Parliament, mentioned earlier, has set an important precedent regarding extraditability of Thai citizens, formerly a point of controversy in Thai legal and academic circles.

**Cultivation/Production.** The area of northern Thailand close to Burma and Laos (the Golden Triangle) is the main location for Thai opium poppy cultivation. Poppy cultivation in the area has a long history, and the use of the crop as a source of cash for farmers has historically been an economic fact of life. The Royal Thai Government's crop control efforts

have combined eradication of the crop with development efforts designed to offer growers an alternative to poppy cultivation. The thrust of the effort for the past ten years has been to discourage all cultivation and to penalize growers through an active eradication campaign. These efforts have resulted in a reduction of the amount of poppy annually grown in the north from a high of as much as 200 metric tons in the 1970s, to 25 metric tons in 1995. The 1995 figure represents an increase due mainly to good weather in the region of 8 metric tons over that in 1994. The area planted was smaller in 1995, however, with high yields accounting for the increase. The eradication campaign could reach the point of diminishing returns if downward trends continue. For now, however, the campaign remains cost effective; it is one of the main reasons refineries no longer operate in Thailand on a large scale. Opium must now be imported to meet the requirements of domestic addiction.

**Methodology.** Through close cooperation with the US and other donors, the RTG annually performs a very professional survey of the opium crop in Thailand. Both ground and aerial surveys are used. RTG estimates for Thailand's opium yield for 1994/95 is 9.50 kg/ha. The US figure for opium yield is higher -- 14 kg/ha.

**Drug Flow/Transit.** Despite steady reduction in Thailand's opium production in recent years, the massive output of Burma guarantees an ample supply of opiates for both local consumption and international trafficking. Opiates move into Thailand for consumption and also for onward shipment to world markets, making Thailand both an importer and a transit country. Current estimates are that at least 50 percent of the heroin from the Golden Triangle destined for the US transits Thailand. Over the past several years there has been a steady increase in the use of alternate routes, principally China, but also including Laos, Cambodia and Vietnam. Thailand's superior transportation infrastructure and international cargo-handling facilities, will continue to attract the activities of drug traffickers in the region.

**Domestic Programs/Demand Reduction.** Prevention and demand reduction programs are managed by various government agencies and through NGO's active in the anti-narcotics NGO community. The ONCB carries out its own treatment and demand reduction program and assists in coordination of activities of other agencies and NGO groups. There are programs in place with the Ministry of Health and the Ministry of Education to expand treatment and demand reduction in schools and in provincial areas as well as to target specific high-risk groups including students, fishermen, laborers, and long-haul truck drivers. In addition, both the government and numerous NGOs have undertaken studies of drug abuse patterns in various population sectors. The recent TDRI study mentioned earlier is an example of this type of research. Thailand also cooperates internationally and regionally on demand reduction efforts and with the Southeast Asian epidemiology network.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** US goals and objectives in Thailand continue to remain as reported last year:

-- Assist Thailand to counter the threat of drug trafficking and support actions targeting the arrest of key drug traffickers.

- Continue initiatives to eliminate opium poppy cultivation through eradication and development of viable economic alternatives for farmers.
- Support the Royal Thai Government's efforts to complete the requirements for accession to the 1988 UN Convention by passing anti-money laundering legislation.
- Assist Thailand in its efforts to expand its drug abuse awareness and demand reduction activities.
- Assist Thailand with continued efforts to improve and streamline its drug control institutions by fostering inter-agency cooperation.
- Support Thailand's emergence as a center for the transfer of development technology, for drug abuse training, and for drug law enforcement training for other, less developed countries in the region.
- Assist Thailand with outreach in cross-border enforcement development and demand reduction initiatives in coordination with other donors such as the UN.

**Bilateral Cooperation.** Thailand and the US have cooperated closely for many years in drug control work. In the area of judicial cooperation we have a Mutual Legal Assistance Treaty (MLAT) and an Extradition Treaty. The State Department funds bilateral projects under three agreements with the RTG. The major agreement funds narcotics law enforcement. Its purpose is to improve the ability of narcotics law enforcement agencies to respond to the threat posed by powerful trafficking organizations. This project agreement provides commodity and training support for ONCB, PNSB, and other Thai law enforcement organizations. Funding has been employed for institutional development (the drug task force concept), and to support operations to detect trafficking through airports and drug transit in the south. Law enforcement assistance also is used to support in-country training programs. The second agreement funds narcotics crop control. This project supports the Royal Thai Army Third Region, the ONCB, Border Patrol Police (BPP) and Provincial Police (PP) to assist the Royal Thai Government in surveying, locating, and eradicating the illicit opium poppy crops in northern Thailand. Despite a significant decrease in US-provided funding for this activity over the past several years, Thai efforts last year resulted in another decrease in cultivation. A key Thai initiative has been the establishment of Chiang Mai University's Highland Agricultural Training Center. With Japanese government assistance, this facility opened in 1994 to provide farmers from Thailand and neighboring countries hands-on experience in crop cultivation techniques and environmental preservation. This center has the potential to offer technical expertise to large numbers of hill tribe farmers in the region. The third project supports demand reduction work. Funding provided under this agreement assists Thai authorities to enlarge the involvement of NGOs in the national drug abuse awareness effort, and targets specific drug abuse problem areas. Cooperation between the US and Thailand in a number of areas not specifically covered by formal agreements is close and productive. The DEA has long received cooperation from Thai drug enforcement agencies in investigating major heroin trafficking organizations. The US Customs Service and Department of Defense have cooperated with various agencies on anti-smuggling projects. DOD is also supporting training initiatives with selected Border Patrol Police units, and is preparing facilities for the regional drug task forces. Other sections of the US mission to Thailand cooperate on a variety of law enforcement and security-related activities. The United States Information Service (USIS) has arranged

visitor programs, including visits by journalists, to the US for workshops and consultations on drug control issues. USIS press releases and regular media reaction reporting highlight significant narcotics-related stories. USIS also arranges media interviews and press conferences on narcotics issues.

**The Road Ahead.** Rapid economic growth in the past decade has led to the creation of an improved transportation system in the north, including international airports in Chiang Mai and Chiang Rai provinces and increased trade along the Mekong river. Additionally, the proposed economic "Golden Rectangle" (viz.: Thailand, Laos, Burma, and China) development plan (with further improvements to infrastructure) will provide increased opportunities for criminal organizations to ship narcotics through northern Thailand to overseas customers. Over the long haul, however, regional economic development will give opium producers alternative means of earning a living. Building on the successes of 1994 in operations such as "Tiger Trap," 1995 can be viewed as a period of consolidation. A high point in the past year, however, was the resolution of the legal questions regarding extraditing Thai citizens. The precedent setting criminal court action, and December's Appeal's Court decision regarding Thanong Sripreechapong led to his extradition in January. Resolution of the Tiger Trap defendants' cases should also occur in the near future. During 1996, the US will continue to support and encourage Royal Thai Government efforts to pass and implement anti-money laundering legislation, allowing Thailand to come into full compliance with the 1988 UN convention. In the coming year, by operating jointly with various Thai agencies, we look forward to the successful start-up of the second drug task force unit in Bangkok. This should be followed by implementation of a project to consolidate activities in the south and form a task force there. If resources are sufficient, US support will also be provided to assist Thailand with expansion of its outreach efforts with its less developed neighbors. Thailand, Burma, Cambodia, China, Laos and Vietnam are parties to regional agreements on drug control cooperation, and the US has a vital role to play in supporting these regional efforts. Support for crop control projects will continue as well. Thailand's long experience in drug control work is a valuable regional asset. While there has been some change in attitude over the past several years, Thai officials often see opium and heroin as primarily a foreign problem. Officials view amphetamines and inhalants as their major drug concern. Environmental concerns and AIDS now rival narcotics as primary social issues. Nevertheless, Thai officials want to be seen as taking the lead in regional anti-drug efforts. As the traditional Shan and Wa heroin trafficking groups become more involved in amphetamine production, Thailand can be expected to focus even more on these groups as well. Finally, and perhaps most importantly, as Thailand continues to advance along a more democratic path with increased public awareness of the impact of corruption and the power of internationally organized criminal groups such as drug trafficking kingpins, we look forward to increased action by the government to combat these powerful influences.



## Statistical Tables

TABLES for CY		1995	1994	1993	1992	1991	1990	1989
<b>OPIUM</b>								
Harvestable Cultivation	[ha]	1,750	2,110	2,880	2,050	3,000	3,435	4,075
Potential Yield*	[mt]	25	17	42	24	35	40	50
Eradication	[ha]	580						
<b>CANNABIS</b>								
Harvestable Cultivation	[ha]	-	-	-	-	-	-	-
Eradication	[ha]	80	85	80	85	59	114	150
<b>Seizures**</b>								
Opium	[mt]	3.2	0.6	2.2	0.6	1.5	0.8	2.4
Heroin	[mt]	0.440	1.100	2.100	0.992	1.500	1.100	0.070
Cannabis	[mt]	95	71	98	87	54	130	108
<b>Other dat</b>								
Heroin Labs destroyed		1	0	2	0	5	2	8
Narcotics Arrests		88,000	102,000	85,000	72,500	75,160	56,054	63,316
Opium Consumed (estimate)	[mt]	60.0	53.0	53.0	53.0	53.0	53.0	53.0
Heroin Consumed (estimate)	[mt]	4.0	4.5	4.5	4.5	4.5	4.5	4.5
Opium Users		111,000	35,000	35,000	35,000	35,000	35,000	unk
Heroin Users		219,691	340,000	340,000	334,000	298,600	132,275	unk

2/25/96

\* Figure based on December 1991-February 1992 Opium Yield Study. Average yield / hectare is 11.5 kg. Opium in Thailand is generally cultivated, harvested and eradicated from October to February each year. To make the data consistent with seizure and processing data, opium seasons are identified by the calendar year in which they end. For example, the October 1994 to February 1995 opium season is referred to as the 1995 calendar year season. Data on opium cultivation, eradication, and production are based on USG estimates. RTG estimates are often lower on cultivation and higher on eradication. Data on opium cultivation, eradication, and production are based on RTG and USG estimates. RTG estimates are lower on cultivation. In 1995, opium yield was increased from the figure reported in 1994. Last season's crop benefited from very good weather, even though there was an effective eradication campaign and a lower amount of initial cultivation by farmers. These data are based on USG imagery and technical analysis. Loss is estimated at 10 percent. Consumption figures for heroin and opium have been revised, based on the new baseline study published by the Thai in 1995. TDRI estimated the number of heroin addicts in Thailand at 219,391 as of December 1993. Opium addicts are estimated at 111,000 in the same study.

Seizure and arrest information is based on both USG and RTG figures. End-of-year estimates of seizures are projected from figures through the report date or earlier in the year. Consumption and addiction figures are based on a dated ONCB estimate of 35,000 hilltribe opium addicts.

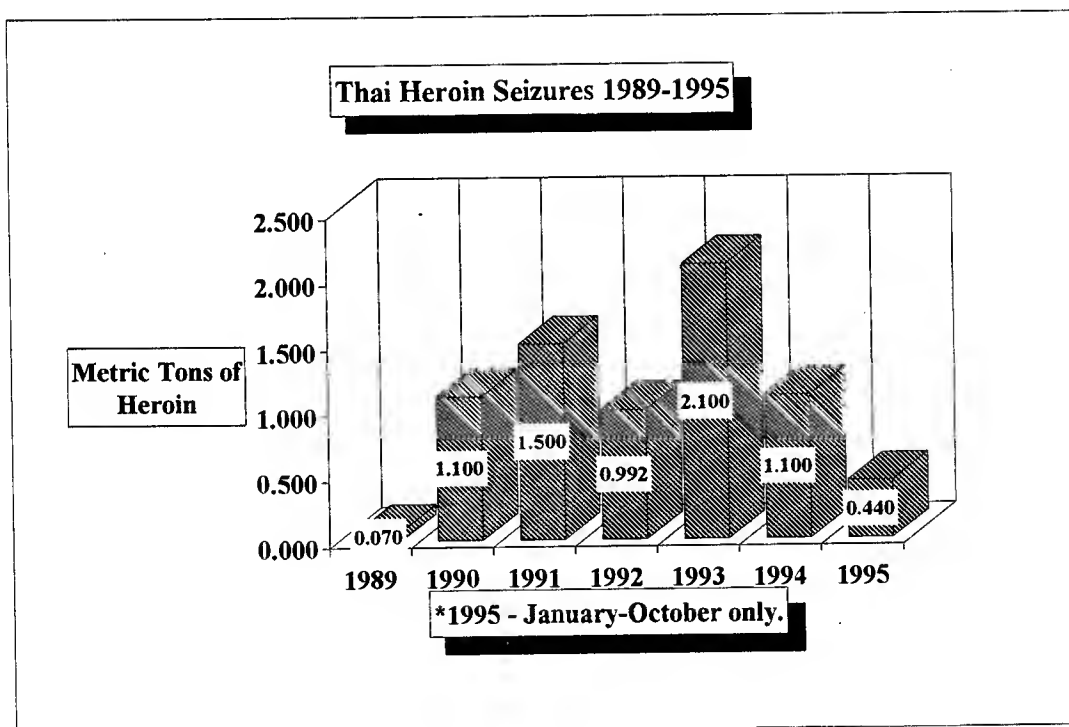
Northern Thailand is part of a fluid regional opium and heroin market that transcends borders with Burma and Laos. Some opium produced in Burma and Laos is consumed or refined in Thailand, and vice versa. Since the best recent data indicate that Thailand is a net importer of opiates, the net amount available for export and refining into heroin is



## Statistical Tables

zero. Small-scale heroin labs are set up in Thailand from time to time. Their overall production is no doubt small in comparison to labs in Burma and Laos, but the actual amount cannot be determined on the basis of available information. The first serious attempt to estimate the number of heroin addicts in Thailand was made in 1990, using a capture-recapture model. On the basis of not fully verified data, an estimate of 132,275 addicts was made. A more rigorous study was conducted in 1991 by the US Centers for Disease Control, in conjunction with Thai authorities. The study was limited to Bangkok and produced an estimate of 36,600 heroin addicts. ONCB estimates consumption at .2 grams per addict per day. Thailand consumes more opium than it produces.

\*\* 1995 Seizures January - October only.



2/25/96

## VIETNAM

### I. Summary

Vietnam has completed a comprehensive drug control plan that calls for action in enforcement, supply reduction and demand reduction. The government has been active in soliciting international support and mobilizing domestic resources to put the plan into effect. Vietnam has become active in regional efforts in drug control and attended the ministerial-level meeting on drug control held under UN auspices in Beijing in May.

The government has continued its efforts to suppress poppy cultivation in the north and to combat drug use in the cities. DEA has been building a working relationship with the Vietnamese authorities through periodic visits by agents from the Bangkok office. High level US visitors to Vietnam have discussed drug control with Vietnamese authorities and have received assurances of Vietnam's commitment to drug enforcement. The U.S. has begun training efforts with the Vietnamese counternarcotics units and a course on basic enforcement techniques was conducted by U.S. Customs in June. More training is planned for 1996.

Vietnam is not a party to the 1988 UN Convention, but has pledged to enact enabling legislation and to take the actions needed to become a party. The Vietnamese authorities have been receptive and cooperative to both bilateral and multilateral drug control efforts. They have shown a willingness to undertake enforcement efforts on their own. The Vietnamese continue to make arrests of drug traffickers and significant seizures of heroin and marijuana. Although there is donor interest in providing international or bilateral drug control aid, there has been almost no assistance delivered to date. As a consequence, Vietnamese efforts in drug control have relied entirely on limited domestic resources.

Drug-related corruption may be a problem among lower level officials, but there is no evidence of systematic or high-level corruption.

### II. Status of Country

Vietnam continues to have a serious domestic opiate abuse problem, with an addict population remaining near 200,000, according to Vietnamese Government sources. Intravenous use of opiates is believed to account for one quarter of the addicts, with the remainder addicted to opium smoking. The spread of HIV/AIDS related to intravenous drug use is a concern. Nearly 80 percent of Vietnam's current, estimated 3,000 HIV positive persons are intravenous drug users.

According to one UNDCP estimate, over 9,000 villages produce opium, with most of these being scattered over the northern provinces of the country. There seems to be a consensus that 2,300 hectares are under cultivation, down from an estimated 15,000 ha. in 1991-92. Government crop eradication efforts account for the sharp decline in area under cultivation.

With Vietnam's growing foreign trade and tourism, its membership in ASEAN, and the normalization of relations with the United States, there is concern that Vietnam will become a transit point for Golden Triangle narcotics to the West. Long, porous borders and difficult mountainous terrain in the north, coupled with the lack of equipment, training, and poor coordination of police and other security elements are conducive to trafficking. Economic growth and a lack of appropriate legislation may make Vietnam an attractive venue for drug-related money laundering operations, but this lies in the future.

On December 19, 1995, Vietnam announced its Master Plan for Counternarcotics. The plan focuses on crop eradication, education, and the prevention and treatment of addiction. The US and Vietnamese Governments have had discussions about counternarcotics cooperation, and a fledgling working relationship now exists between American law enforcement officials and the Vietnamese police. Vietnamese officials view narcotics as a common problem faced by both countries, necessitating cooperative efforts and the sharing of information.

**Corruption.** Corruption among lower level police and military officials remains a problem in Vietnam. Officials in border areas have been reported as taking bribes to facilitate smuggling. Some government officials have voiced concern about the extent of corruption in government agencies, but systematic controls to prevent corruption are lacking. There is no evidence that the government tolerates, condones or profits from drug trafficking activity or drug-related money laundering as a matter of official policy.

**Agreements and Treaties.** Vietnam is not a party to the 1988 UN Convention. The UNDCP and the United States have both offered to assist Vietnam to draft legislation that is consistent with the goals and objectives of the Convention. The UNDCP sources indicate the Government of Vietnam intends to join the Convention after appropriate national legislation is in place. Vietnam signed a Drug Control Cooperation Agreement with Burma in early 1995. In May 1995 Vietnam joined a Memorandum of Understanding on Sub-regional Cooperation on Drug Control with Cambodia, China, Laos, Burma, Thailand, and the UNDCP.

**Cultivation/Production.** Precise data regarding opium cultivation and production are not available. Approximately 2,300 hectares were cultivated in 1994/95, down from over 15,000 three years before. Government crop eradication measures account for most of the sharp decline. According to these statistics, over 75 percent was grown in Nghe An province on the Laotian border.

**Drug flow/Transit.** Information is still limited about drug trafficking through Vietnam. Seizures in the region and in the US suggest Vietnam is being used as a transit point in the flow of narcotics. There have been reports of heroin entering and leaving Vietnam across the northern border with China. The presence of a large overseas Vietnamese community in the US and the expansion of Asian organized crime are viewed as risk factors for heightened drug smuggling activity by law enforcement agencies. Better collection and sharing of information among countries in Southeast Asia is needed to develop a clearer picture of the extent and the patterns of drug flow through Vietnam.

**Domestic Programs (Demand Reduction).** Current statistics on drug abuse are estimates based on reports from provincial and district authorities collated by a government ministry. Drug addiction statistics were not kept prior to 1994, so trends in addiction cannot be determined. Most rural drug abusers live in the northern mountainous regions and opium smoking by ethnic minorities is the predominant form of drug use in these regions. The most serious urban drug problem is in Ho Chi Minh City, with a reported 30,000 addicts, most of whom inject drugs. In December 1995, Vietnam hosted a regional expert forum on drug demand reduction, attended by representatives of 22 countries in Southeast Asia and the Pacific. Vietnam is actively working with the UNDCP on programs in demand reduction.

### **III. US Policy Initiatives and Programs**

**Bilateral Cooperation/The Road Ahead.** Especially since the visit of a delegation headed by INL Assistant Secretary Robert Gelbard, the Vietnamese have welcomed US assistance and extended cooperation in law enforcement. Even preceding that visit, there had been informal cooperation between the Vietnamese police and DEA through INTERPOL. This has been expanded into training opportunities focusing on drug interdiction and Asian organized crime. US Customs presented one overseas enforcement training course in Hanoi last year, and another is scheduled for Ho Chi Minh City in June 1996. DEA is planning a two-week course in Hanoi in May 1996. Last fall, the FBI sponsored several Vietnamese police officers' attendance at the Pacific Region Conference on Asian Organized Crime in Hawaii. DEA has offered the opportunity for two Vietnamese police officers to attend the 18th Annual Asian Organized Crime Conference in California at the end of April of this year. Informal cooperation with DEA and other US law enforcement agencies will continue. The US government will continue to support the efforts of the UNDCP to assist Vietnam in drafting drug control legislation as well as supporting drug control programs.

**EUROPE**  
**AND**  
**CENTRAL ASIA**



## ALBANIA

### I. Summary

Albanian authorities are increasingly concerned about the rise in drug production, trafficking, and use in Albania, although all remain relatively low compared to neighboring countries. The end of the Cold War has brought significant economic and commercial growth, along with notable inroads by organized crime groups -- home-grown and foreign -- and a notable increase in cross-border narcotics traffic. While there still is no evidence of significant domestic narcotics processing, ever-larger quantities of cannabis and opium poppy are cultivated for export. Internal consumption of drugs, including hard drugs, is becoming a major concern. A new penal code that went into effect in mid-1995 specifies penalties for the production, cultivation, and sale of narcotics. The Government of Albania (GOA) does not have a national drug control strategy and interdiction efforts are hampered by an ineffective, under-equipped police, inadequate border controls, and widespread corruption. Albania is not a party to the 1988 UN convention and, to meet convention requirements, the government would need to increase significantly its efforts to adopt tough antidrug legislation, establish an effective enforcement apparatus, and develop demand reduction programs.

### II. Status of Country

Albania's rapid free-market commercial development and weak border controls are attracting drug smugglers to Albania as a conduit to reach West European markets. Most of the drug traffic from eastern countries via Bulgaria and Former Yugoslav Republic of Macedonia (FYROM), passes through Albania to Italy and Greece and is transshipped to northern European markets. Drugs are also smuggled across the Adriatic to Italy using small, fast boats. These smuggling operations are often intermingled with a thriving trade in illegal migrants, arms, and cigarettes. The of extensive fuel and commodities-smuggling networks that developed to evade UN sanctions against Serbia and Montenegro are likely to offer opportunities for drug traffickers.

Many Albanians, and ethnic Albanians from the Kosovo region of the Former Yugoslav Republic (FRY) are heavily involved in the smuggling operations and have connections to the drug trade in Switzerland and Germany. The proximity to major European drug markets, connections between Albanian and organized crime elements from Italy, Turkey, and parts of the former Yugoslavia, are further facilitating the growth of the drug trade in Albania.

Albanian authorities are increasingly concerned about drug production and use -- particularly of heroin -- in Albania. Nevertheless, authorities have not discovered any drug operations since the breakup of a heroin laboratory on the Greek border in 1993.

Farmers and other landowners, now freed from the collectivist agrarian economy of the past, are increasingly turning to marijuana and opium poppy as cash crops, according to Albanian officials. Moreover, cultivation is spreading from traditional growing areas in the South, and seeds are now imported from Greece and Italy. The extent of such cultivation, however, is unknown.

Albanian authorities report cases of money laundering, despite the poorly developed banking system. Enforcement efforts and prosecution are hampered by the lack of legislation, and by a corrupt and inexperienced judiciary.

### **III. Country Actions Against Drugs in 1995**

Although there is growing recognition that Albania is confronting a worsening drug situation, drug control is not a high priority for the GOA. The GOA formed a committee to address the drug problems, but there are no reports on its accomplishments. A new penal code that went into effect in mid-1995 specifies penalties for the production, cultivation, and sale of narcotics, but lacks the tools to bolster enforcement operations, such as controlled deliveries and undercover operations. The country's legal and judicial structures have failed to keep pace with the new challenges posed by organized crime in areas such as money laundering.

Efforts to interdict drugs remain limited by the lack of personnel and paucity of other resources, although law enforcement authorities claim to have manually eradicated 60,000 marijuana plants in 1995. An office within the Ministry of Public Order has been established to coordinate anti-drug law enforcement efforts. The previously separate financial and customs police were merged into one organization. Despite these efforts, however, there has been little change noted in enforcement operations. The new customs police appear inefficient, and widespread corruption reportedly continues unabated.

In 1995, Albania increased contacts with international law enforcement cooperation with its neighbors, including a counter-narcotics cooperation agreement with Italy. Other bilateral agreements provide for nascent cooperative efforts to target money laundering.

**Corruption.** Police corruption, particularly at lower levels, remains widespread. There were some unconfirmed reports in 1995 of high-level efforts to protect indigenous organized crime groups and several customs officers were arrested and prosecuted in the latter half of 1995 for bribe-taking.

**Agreements and Treaties.** Albania is not a party to any of the three UN drug conventions. Albania has bilateral agreements with several other European nations, including most of its immediate neighbors, that include counternarcotics and money-laundering provisions. A pre-World war II extradition treaty with the United States is still in force.



**Cultivation/Production.** Law enforcement authorities report that cultivation of cannabis and opium poppy is expanding and becoming more organized. In the past cannabis was primarily grown in Southern Albania; now, however, authorities indicate there is country-wide cultivation. These officials also believe that seeds are now imported to produce crops for export and planting methods are being improved.

**Domestic Programs.** A program for treating drug users has been inaugurated, but authorities expect few referrals.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued to urge increased attention by the GOA to the drug issue. Efforts focused on identifying existing problems, possible areas for assistance, and the need for the GOA to become a party to and implement the UN drug conventions.

**The Road Ahead.** Drug trafficking through Albania is likely to accelerate in 1996, increasing the opportunities for organized crime involvement and money laundering. Over the next year the USG will encourage the GOA to expand its drug control activities and to establish the necessary legislative and institutional capabilities to support such activities. The USG will fund training of Albanian police at the International Law Enforcement Academy in 1996 in Budapest. During 1996, the USG will focus on urging Albania to ratify and implement the UN Conventions.

## **ARMENIA**

### **I. Summary**

Drug trafficking groups are increasingly targeting Armenia as a conduit to smuggle drugs to Western Europe. The Armenian illicit drug market is small, but Government of Armenia (GOA) officials are concerned that drug abuse and drug-related crime is increasing. Armenia has begun to take steps towards framing a national anti-drug strategy. A state interagency anti-narcotics commission was established in 1995 to coordinate the anti-narcotics activities of government agencies and public organizations, and to develop a national drug control plan. Armenia became a party to the 1988 UN Convention in 1993.

### **II. Status of Country**

Armenia is a transit route for hashish and opiates from Afghanistan, Iran and Central Asia, to Russia, other Black Sea countries, and Western Europe.

Armenian authorities are concerned about growing drug-related crime. In 1995, reports of drug-related crimes increased to 569 compared to 525 in 1994. Drug use, particularly among teenagers, appears to be increasing. The GOA estimates there are 10,000 drug addicts. The drugs of choice are opium and cannabis. The majority of drug addicts avoid treatment because of the legal consequences, and because of the poor conditions of Armenian drug treatment centers. However, the newly formed anti-narcotics commission is considering establishing a new rehabilitation center for drug addicts, and initiating a modern public information campaign on the dangers of drug abuse.

Armenian officials are concerned that illicit production of amphetamines could be on the rise. The increase is attributed to unemployed chemists displaced after the dismantling of the Soviet Union.

Authorities also believe that the money laundering operations are limited in Armenia because of the country's depressed economy and its rudimentary banking system. However, in an effort to prevent the creation of financial institutions whose main purpose is to launder money, the GOA raised the minimum capital requirements for banks from \$15,000 to \$100,000.

Armenia is not a significant producer of precursor and essential chemicals.

### **III. Country Actions Against Drugs in 1995**

In response to escalating drug-related crime in 1995, the GOA created a State Interagency Commission to coordinate national drug control efforts. The Commission will prepare a 5-year and a 25-year anti-narcotics master plan for the country. The Commission is also drafting amendments to the criminal code to improve and to enhance counternarcotics operations by the Interior Ministry (MVD) and improve the effectiveness of Armenia's drug addiction treatment programs.

**Corruption.** The USG is not aware of any reports of official narcotics-related corruption in Armenia in 1995.

**Agreements and Treaties.** Armenia is a party to the 1988 UN Convention, the 1961 UN Convention and its 1972 Protocol, and the 1971 UN Convention. Armenia signed bilateral agreements on cooperation against illicit trafficking in narcotics with Turkmenistan, the Republic of Georgia, and Tajikistan.

**Cultivation and Production.** Cannabis and opium poppy grow in the wild and only a small amount is processed in-country. The GOA reported that it eliminated 17 tons of cannabis and opium in 1995. In the same year, Armenian authorities seized two illegal amphetamine laboratories.

#### **IV U.S. Policy Initiatives and Programs**

The USG continues to maintain a limited dialogue with the GOA to urge it to give priority to the drug issue. Efforts have continued to focus on identifying existing problems, on possible areas of assistance, and the need to exchange information on narcotics activities. Two officers from the Ministry of National Security participated in a regional advanced drug enforcement seminar in Moscow in July, 1995.

**The Road Ahead.** Over the next year, the USG will continue to encourage Armenia to expand its drug control activities and to establish the necessary legislative and institutional capabilities to ensure efficient interdiction and prosecution of narcotics traffickers. During 1996, the USG will continue promoting anti-drug assistance from nations most directly effected by narcotics smuggling through Armenia such as those in Western Europe.

## AUSTRIA

### I. Summary

Austria considers itself primarily a transit country for cocaine and heroin destined for larger West European markets. Most recent statistics available are for 1994. With respect to consumption, authorities estimate there are 10,000 Austrian drug addicts, but 1994 brought an 11percent increase to 250 of drug-related deaths. The number of people charged with misdemeanor drug violations in 1994 rose, while more serious violations dropped slightly, resulting in an overall increase of approximately 16 percent. Officials fear increased use of ecstasy and believe drug-related crime linked to Eastern Europe is on the rise.

With European Union (EU) membership in 1995, Austria is bringing its drug-related legal framework into harmony with EU regulations. The Government of Austria (GOA) has signed but not ratified the 1988 UN Convention.

Increased concern about money laundering in Austria has led the United States Government (USG) to raise Austria's priority as a money laundering center from medium to medium-high.

### II. Status of Country

The GOA estimates that there are about 10,000 Austrians addicted to drugs. Officials estimate that about 2 percent of the population has tried cannabis, the most widely abused illegal drug, at least once. Health officials fear that the illegal use of MDMA/ecstasy (primarily from the Netherlands) in connection with large dance events ("clubbings") will continue to increase in 1996, as it did in 1994 and 1995.

Foreign criminal groups dominate the illegal drug trade destined for and transiting Austria. Cocaine traffic is primarily via South American couriers. Central and East European couriers transport Southwest Asian heroin overland via the diverse Balkan Routes.

Although Austria has enacted measures to help bring its money laundering laws into compliance with international and EU standards, legal loopholes persist, making it an attractive environment for organized crime groups. Results from anti-money laundering legislation which took effect in 1994 support the conclusion that some money-laundering takes place in Austria. Austria has a system for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets, but does not share seized assets with other countries.

Austrian authorities do not consider the diversion of precursor and essential chemicals from Austria a problem.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Since entering the European Union in January 1995, Austria has participated in EU counternarcotics activities, such as the European Monitoring Center for Drugs and Drug Addiction and the December Conference on Drug Policy in Europe. It is a member of the Council of Europe's "Pompidou Group", the Dublin Group, the Financial Action Task Force (FATF), and the UN International Drug Control Program (UNDCP). According to UNDCP, the GOA pledged approximately USD 549,000 in FY95 contributions to UNDCP.

The Health and Justice Ministries are preparing a new narcotic drugs law extending the control regime to include psychotropic substances.

**Accomplishments.** Shortly before Parliament dissolved in October, the Government introduced amendments to the penal code to facilitate extradition, judicial assistance, asset forfeiture, and confiscation of illicit proceeds. Government crises interfered with the Austrian government's earlier plans to introduce the amendments, and they will be reintroduced to the new Parliament in 1996.

Austria does not have a master plan, but it tries to coordinate its counter-narcotics efforts and has begun the process of establishing a "national focal point," i.e. a national clearing house for data on demand reduction programs, key indicators, and abuse statistics. The data collected will eventually be fed into an EU-wide drug data network.

**Agreements and Treaties.** The GOA and USG signed a Mutual Legal Assistance Treaty in March 1995. Negotiations continue on a new Extradition Treaty to replace the 1934 treaty currently in force. The GOA introduced penal code amendments to respond to requirements by the EU and to enable Austria to ratify the 1988 UN Convention, as well as the 1993 Council of Europe Convention on laundering, tracking, and seizing profits from criminal actions. Due to inadequate implementing regulations, Austria has not yet ratified the Conventions, although it has signed them. Another precondition for ratifying these two Conventions is the ratification of the 1971 UN Convention on Psychotropic Substances, which requires a new narcotic drugs law extending the control regime to include psychotropic substances. The Health and Justice Ministries have indicated they are drafting this legislation. Austria is a party to the 1961 United Nations Single Convention on Narcotic Drugs and its 1972 protocol.

**Law Enforcement Efforts.** Drug statistics for 1995 have not yet been released. In 1994 Austrian authorities seized 241 kgs. of cannabis (compared to 424 kgs. in 1993), 80 kgs. of heroin (compared to 105 in 1993), and 53 kgs. of cocaine (compared to 84 kgs. in 1993). Although the quantity of drugs was lower than the previous year, the number of arrests was higher: police arrested 12,623 people on drug-related charges in 1994, compared to 10,915 in 1993.

**Corruption.** The GOA has generally applicable public corruption laws. The USG is not aware of high-level Austrian government officials' involvement in drug-related corruption.

**Cultivation/Production.** The USG is not aware of any illicit drugs produced or cultivated in Austria.

**Drug Flow/Transit.** The opening of borders of Central and Eastern European countries has resulted in variations of the classic Balkan Route and the possibility of using Austria in more heroin transit operations. The use of nearby Bratislava, Slovakia, as a way-station for heroin resulted in an increased influx of small amounts of heroin into Eastern Austria. Heroin cigarettes became a temporary phenomenon and started "Cigarette Tourism" to the nearby Slovakian capital.

The arrival of South American cocaine via Central European airports was a new route. Also in a change of pattern, cocaine couriers were more often Europeans than Nigerians. Cocaine is destined partly for domestic markets, and partly for transit to Italy and Germany.

**Demand Reduction Programs.** Federal Ministries are preparing educational video games and updating a drug information kit for schools, which contains a course plan for teachers. The Ministry for Family and Youth Affairs has expanded its nationwide seminars on preventive drug counselling for those who work with youths who are not in school (apprentices, etc). In reaction to increased popularity of "ecstasy," the Health Ministry distributed flyers on the dangers of this drug.

About 60 drug advisory centers (public, private/church-affiliated) qualified for government subsidies amounting to USD 2.6 million in 1994. Each of the nine provinces employs a drug coordinator for policy decisions and a drug commissioner for health-related issues.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** USG and GOA law enforcement cooperation is very good. In December, Austria deported to the United States a US citizen who had been a DEA-sought fugitive since 1985. Austria also cooperated on a letter rogatory request for approximately USD 3.5 million frozen in Austrian bank accounts and other proceeds from drug trafficking activities of a major member of Colombia's Cali Cartel. An investigation initiated in Austria and worked cooperatively with the USG resulted in the seizure of 100 kgs. of heroin in the United States. The USG and GOA worked cooperatively on a controlled delivery of cocaine from Bolivia to Austria.

**The Road Ahead.** The USG will continue to urge the GOA to make ratification of the 1988 UN Convention a key priority for the new government. The USG will also encourage the GOA to introduce tougher money laundering legislation, particularly regarding securities accounts. The GOA will make harmonizing Austrian laws with EU and other international conventions a priority.

## **AZERBAIJAN**

### **I. Summary**

Azerbaijan has emerged as a transshipment point for smuggling hashish and opium from Central Asia, Iran, and Afghanistan to Russia and Europe. Although much of the information on this region is anecdotal, several record seizures in Georgia over the past several years of heroin and opium that transited Azerbaijan demonstrate the vulnerability of the region to drug smuggling. Cultivation of opium is illegal, but sporadic reports indicate some export-oriented cultivation of opium poppy and cannabis adjacent to the Iranian border. The Government of Azerbaijan (GOA) has done little to counter the smuggling of drugs across its borders. Azerbaijan is a party to the 1988 UN Convention. No demand reduction or treatment programs exist in Azerbaijan.

### **II. Status of Country**

As border controls are almost non-existent, Azerbaijan is vulnerable to the drug trade. An important heroin smuggling route operates from Iran through Azerbaijan and thence to Russia and the Baltic States. Drugs are also smuggled from Afghanistan and Central Asia through Azerbaijan. Locally grown hashish is exported to Georgia and there are reports of cultivation and production of ephedrine.

The lack of reliable data makes it difficult to assess the drug situation in Azerbaijan. Detection of any money laundering activities is almost impossible since much of the economy operates on a basis of hard-currency cash.

### **III. Country Actions Against Drugs in 1995**

No new domestic policy initiatives to combat drug use and trafficking have been taken by the GOA since an inter-agency permanent committee on counternarcotics was established in 1992-1993. Proposals have been made to strengthen the criminal code dealing with drug-related cases, but no action has been taken in the Parliament.

No large-scale drug seizures have been reported by the GOA or the press. Seizures include small quantities of marijuana, cocaine, hashish, opium, heroin, and ephedrine. No official statistics on arrests and seizures are currently available.

**Corruption.** The GOA authorities have not reported any narcotics-related corruption cases.

**Agreements and Treaties** Of all the UN drug conventions, Azerbaijan is a party only to the 1988 Convention. Nevertheless, the GOA does not have legislation in place to implement the 1988 UN Convention.

Azerbaijan is a party to the agreement of the police forces of the Newly Independent States (NIS), which calls for the coordination of operational drug control activities. Drug law enforcement protocols have been signed with Iran, Georgia and Russia.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation** The USG continues to maintain a limited dialogue with the GOA and to exchange information on counternarcotics. Aid, including U.S. funded counternarcotics and law enforcement training, for Azerbaijan is limited by the Freedom Support Act, Section 907.

**The Road Ahead** The U.S. Government will continue to encourage Azerbaijan to expand its drug control activities and to establish the necessary legislation and institutional capabilities to improve intra-government cooperation and ensure effective prosecution of drug-related crimes. The USG will urge the GOA to implement the provisions of the 1988 UN drug convention.



## BALTICS

### I. Summary

The drug trade is escalating in all three Baltic states: Estonia, Latvia, and Lithuania. Open borders and proximity to Scandinavia offer trafficking networks alternative routes to Western European heroin markets. Central Asian and Russian crime groups have now begun to establish smuggling networks through the region and nascent money laundering operations are suspected in all three countries. Illicit amphetamines produced in Latvia continue to show up in West European markets. Health authorities in all three countries believe that while drug abuse is on the rise, it is still a relatively minor problem.

Economic and political issues continue to dominate as top priorities for the three governments, limiting high-level attention to the expanding drug problems. There are some signs that the three Baltic nations, particularly Latvia, are expanding their antidrug programs. Manpower and resource shortages continue to hamper progress towards establishing effective domestic antidrug strategies.

Only Latvia has become a party to all three UN drug conventions. Lithuania is a party to the 1961 and 1971 UN Conventions, but not the 1988 UN Convention. Estonia is not a party to any of these conventions, although the GOE has noted the need to change domestic legislation and formally accede to the international drug conventions, progress towards these goals has been slow.

### ESTONIA

#### II. Status of Country

Drug seizures in neighboring countries, the arrest of Estonians in Thailand acting as couriers, the destruction of 50 hectares of poppy fields, and press reports of a rise in drug use, suggest worsening drug problems in Estonia. While government officials recognize that drug abuse is increasing, resources to deal with the related legal and health problems remain limited. Estonia, which regained its independence in late 1991, has not yet become party to any of the UN Conventions.

The drug trade is continuing to gain ground in Estonia. While domestic drug abuse and cultivation are still minimal, the criminal problems associated with trafficking and money laundering in Estonia are growing steadily.

Although Estonian authorities are working to strengthen border controls, Estonia's location makes it increasingly vulnerable to the drug industry. Estonian authorities indicate that drugs from Southwest Asia, Russia, Transcaucasia, Ukraine, and Lithuania are smuggled to Estonia by trucks and rail. Opium and hashish cargoes are often transferred to Estonian ships bound for Europe, particularly Scandinavia. Moreover, drug smuggling is increasing along the highway which links Estonia to Russia and Western Europe via Poland and the other Baltics.

Russian and Central Asian crime groups, which often include links to Estonian groups, control much of the drug smuggling through Estonia. Estonian authorities report that drug networks from Afghanistan, Pakistan, and Turkey smuggle drugs through Estonia.

Responding to concern about possible increased domestic cultivation of opium poppy, police authorities manually eradicated a number of poppy fields. The owner of these fields claimed the cultivation was for cooking purposes and that the police did not have a warrant. This case is now in pre-trial stages.

Local police regard money laundering as the most serious drug-related problem. Drug money continues to be laundered through the buying and selling of rare metals and through the purchase of raw materials in Russia for hard currency. Because there is no effective state control over exports of essential chemicals, Estonia could be targeted by drug groups seeking such chemicals for production operations. There is little information on such operations at this time, however.

Health authorities believe that opiates are the most prevalent drug used in Estonia. The official number of drug users, including cannabis products is under 1,200.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** The Government of Estonia (GOE) has made little progress towards designing and/or implementing an antidrug strategy. Estonia's priorities in the four years since regaining independence have been to establish national institutions while maintaining a strict budgetary discipline. A new criminal and administrative code have been in effect in Estonia since December of 1992. The UNDCP has provided expert advice and model laws, but the code still lacks many basic antidrug provisions, including chemical controls and requirements that make money laundering a crime.

Border guards are strengthening efforts to monitor the borders, including working closely with Russian border guards. After independence, the GOE created a special unit within the Central Criminal Bureau of the Estonian State Police Board to combat organized crime and drug trafficking. The police authorities intend to double the number of counternarcotics personnel -- currently only four -- in the near future. Although officers in every police prefecture are charged with responsibility for drug-related crimes, there is no body to coordinate or form a coherent strategy for the concerned law enforcement agencies and customs officials.

During 1995, 51 drug-related cases were registered. In the first half of the year, 17.5 kilograms of narcotics were seized. In previous years the number of cases averaged 40-50, with 25-30 kilograms of narcotic substances seized.

**Corruption.** The USG is not aware of any reports of official narcotics-related corruption in Estonia in 1995.

**Agreements and Treaties.** The GOE has not yet become a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol, or the 1971 UN Convention on Psychotropic Substances. The GOE's domestic antidrug laws must be modified before the GOE can ratify the 1988 UN Convention. An extradition treaty with the United States exists from 1924, but no other extradition treaties have been signed since Estonia regained its independence in 1991. Estonia has signed bilateral agreements with Latvia, Lithuania, Finland, and several of the Newly Independent States. An extradition treaty with the United States exists from 1924, and Estonia signed the European Community treaty on extradition after regaining independence in 1991.

**Cultivation and Production.** Although cultivation of poppy is illegal in Estonia, poppy continues to be cultivated for cooking uses and possibly for illicit opiates, according to GOE officials.

**Domestic Programs.** The GOE has established an inter-ministerial committee on drug control, which focuses on treating the 1,200 registered drug addicts. The largest specialized hospital for alcohol and drug treatment is in Tallinn and has 90 beds.

## **LATVIA**

### **II. Status of Country**

Latvia is ideally positioned to serve as a conduit for illicit narcotics traffic. Although the number of drug-related crimes in 1995 decreased in Latvia compared to 1994, authorities believe that drug smuggling operations throughout the region are expanding. Latvia boasts good ports, and is a natural path from Russia and the other Newly Independent States and northern Europe. Moreover the extensive land and rail connections established during the Soviet era offer increased smuggling opportunities now that borders are open. Police authorities indicate that poppy straw is often smuggled in from Lithuania, Ukraine, and Central Asia via land transportation. The growing role of Latvia as a conduit for international drug trafficking was highlighted in 1995 by two major criminal cases. In one case, heroin seized in Denmark had been smuggled from Thailand through Latvia, and in another hashish had been shipped through Latvia to the Netherlands.

Interior ministry and police officials confirm that the drug trade and transshipment of illegal narcotics are controlled by Latvian and Russian organized crime groups.

While most of the heroin and cocaine transiting Latvia is destined for markets in Western Europe, particularly Sweden, health authorities believe that domestic drug use is increasing. Official statistics, however, report less than 1,000 users. Latvia is primarily a transit country, but limited domestic cultivation of opium poppy also continues. Most cultivation is for cooking purposes, but criminal police indicate that some cultivation continues for local illicit consumption.

Since German and Latvian authorities discovered the illicit production of amphetamines at a state-owned pharmaceutical plant near Riga in December 1992, local police continue have not uncovered any clandestine amphetamine laboratories. While Latvia has outlawed such production, monitoring efforts have been minimal, and there have been no new cases.

Latvia is emerging as a regional banking center and officials fear it could become a drug money laundering center. Currently there are no currency reporting requirements to inhibit money laundering. Moreover, the lack of anti-money laundering legislation, the absence of strict banking accountability, and the number of banks formed under very loose regulations, make the banking industry increasingly vulnerable. In a recent case, the assets of Banka Baltija were raided by the bank's owners and top management just after the decision by the Latvian National Bank to close the bank for financial improprieties.

### **III. Country Action Against Drugs of 1995**

**Policy Initiatives.** Government efforts to develop a national drug strategy or enact counternarcotics legislation have been delayed by elections and establishment of a new government. Although Latvia has become a party to the 1961, 1971 and 1988 UN Conventions, the GOL has yet to pass all the necessary legislation to implement them.

**Law Enforcement.** Hampered by bureaucratic problems, low salaries, and limited training and equipment, law enforcement officials were unable to make any major drug seizures in 1995. Despite these problems, international cooperative efforts by the Drug Enforcement Bureau (DEB) with a staff of 38 officers resulted in seizures elsewhere in Europe. A joint effort with the Danish police led to a seizure of heroin in Denmark and a similar effort with the Dutch police led to the dismantling of a hashish smuggling ring in the Netherlands.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in Latvia, and there were no drug-related corruption cases of senior officials in 1995.

**Agreements and Treaties.** In February 1994, the GOL acceded to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. In July 1993, the GOL acceded to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. However, the GOL's domestic antidrug law must be modified to implement the 1988 UN Convention. The GOL has prepared draft legislation to implement the U.N. Conventions which is now pending in Parliament.

**U.S.- Latvian extradition relations** are governed by a treaty signed in 1923. Mutual legal assistance treaty negotiations will begin early in 1996.

**Cultivation and Production.** Cultivation of poppy is illegal in Latvia. Nevertheless, law enforcement officials believe that there is poppy cultivation for cooking purposes and the production of illicit opium poppy straw extract. Although cannabis also grows wild in Latvia, there have been few cases of illicit cultivation.

**Domestic Programs.** The GOL continues to run five substance abuse centers and to finance the work of several non-governmental organizations (NGO)s in demand reduction treatment centers. Moreover a number of rehabilitation centers have been established with assistance from Western and Nordic European countries. The GOL has approved a new national demand reduction plan and allocated funds for prevention, education and information activities, with an emphasis on treatment and rehabilitation. Optional drug prevention programs have been introduced in 40 elementary schools.

## **LITHUANIA**

### **II. Status of Country.**

Uncertain economic circumstances, increasing criminal activity, and Lithuania's location are increasing that country's vulnerability to the drug industry. Police note that Lithuania's local organized crime groups, which currently they estimate at 200, are stepping up efforts to establish themselves in the drug trade. Reportedly, every tenth criminal gang already engaged in the trade. Lithuanian officials indicate that cocaine trafficking through the region is increasing. Modest quantities of cocaine are being smuggled through Lithuania via Germany to Russia and vice versa. Meanwhile, the regulation of Lithuania's private banking sector is still in its formative stage, leaving the banking system wide open to potential money laundering operations.

Doctors at the narcotics abuse center note that the number of officially registered drug addicts increased from 629 in 1994, to 800 in 1995. Police and medical authorities believe that the actual number may be ten to twenty times higher. Cocaine use is also becoming more popular among the wealthy community. However, the most widely used and traded illicit drugs are opiates, their derivatives, cannabis, and stimulants. In 1995, medical authorities registered 26 opium overdoses. Police authorities believe that a decrease in cannabis seizures may reflect a decrease in overall marijuana use.

### **III. Country Action Against Drugs in 1995**

Progress on developing a national counterdrug program has been slow. The GOL established an inter-agency task force to review and draft appropriate legislation for accession to and implementation of the UN drug conventions. The parliament continues to debate the issue of police powers and banking regulation and has not yet adopted the draft legislation. However, the GOL law on commercial banking and legislation of income and asset declaration for tax purposes that was passed in 1994 helped to strengthen the legal framework for combatting the narcotics problem.

Despite severe financial constraints, Lithuania increased interdiction efforts in 1995. The criminal police has primary responsibility for implementing the country's drug enforcement programs and has assigned over 40 officers to drug-related crimes. In the first ten months of 1995, the Ministry of Interior reports that 83 drug-related cases were solved by these police and other enforcement officials. Enforcement officials also eradicated 81,152 square meters (50,312 meters in 1994) of opium poppy and 1,061 square meters of cannabis cultivation.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in Lithuania.

**Agreements and Treaties.** The GOL has not become a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs because there is uncertainty as to whether the parliament would be able to pass legislation which would allow law enforcement officials to conduct controlled deliveries and effective investigations of suspected money-laundering operations, in accordance with the requirements of the Convention. In 1994, Lithuania became a party to the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances.

**Cultivation and Production.** Cultivation of opium poppy is illegal in Lithuania. Law enforcement officials find it difficult to enforce this ban, because of the widespread use of poppy for cooking purposes. Law enforcement officials also note that poppy is cultivated to produce illicit poppy straw extract.

**Domestic Programs.** The GOL has begun to establish a new health program which includes a demand reduction program. The program will include rehabilitation as well as public awareness components.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG continues to promote increased attention to the drug problem by the Baltic States. In 1995, the USG urged the three governments to identify drug problems, possible areas for assistance, and the need to become parties to and implement the UN drug conventions. Estonian, Latvian, and Lithuanian police and customs officials have received training and drug test kits from the USG.

The USG worked with other donor nations, through the Mini-Dublin group in Tallinn and bilaterally in Riga and Vilnius, to promote increased assistance from West Europeans and the United Nations Drug Control Program (UNDCP) to the Baltic nations.

**The Road Ahead.** Over the next year, the USG will continue to encourage the governments of Estonia and Lithuania to become parties to the 1988 UN Convention. The USG will urge all three governments to expand their drug control activities and establish legislative and institutional antidrug capabilities. The USG will encourage increased coordination of national government efforts through the development of interagency committees.

The USG plans to provide continued law enforcement training for customs and law enforcement officials including border guards, as well as training to target financial crimes. The USG will also encourage support from UNDCP to assist Estonian, Latvian, and Lithuanian customs and police officials by providing detection equipment and training.

## BELARUS

### I. Summary

The economic, political and geographic situation of Belarus make it increasingly vulnerable to drug trafficking from Central Asia and the Caucasus to Western Europe. Illicit cultivation of opium poppy and cannabis contributes to growing domestic drug abuse in part because possession of drugs for personal use is not illegal. A customs union agreement with Russia that eliminated internal borders between the two countries may also offer increased opportunities to drug traffickers. Organized crime is increasingly a problem for Belarus. Without legislation to target activities by organized crime, there is also increased opportunity for other drug-related crimes such as money laundering. The Government of Belarus (GOB) currently lacks both the legislative framework and the financial resources to combat drug trafficking. The GOB needs to make significant legislative changes to meet the goals and objectives of the 1988 UN Convention, to which Belarus is a party.

### II. Country Status

Drug smuggling operations have adapted rapidly to exploit the increased transit trade in Belarus to smuggle hashish and opium from South West Asia. According to Russian authorities Afghan heroin and hashish transiting Belarus is being seized in Western Europe, Canada, and Russia. Most information on the extent of such trafficking is anecdotal, however.

Local authorities are increasingly worried about the impact associated with the reported increase in drug trafficking. For instance, drug-related crime has risen significantly over the past year. In addition there are some indications that drug use is on the rise.

Currently, the biggest drug challenge for Belarus is from home grown opium poppy which has traditionally been cultivated for cooking uses and from illicit opium poppy straw production. This home grown poppy is converted to an injectible poppy straw extract which health authorities believe is used by 70 percent of the drug users in Belarus. Cultivation of opium continues to be illegal in Belarus.

Drug-related crime is also on the rise. Small organized gangs control most of the local drug activities in Belarus, according to police officials. There is some speculation that Central Asian drug groups have also become entrenched in Belarus. In 1995, approximately 1,550 drug crimes were reported; this is a 7 percent increase over 1994. In 1994, there were 1,441 such crimes, compared to 777 cases registered in 1992, a growth of 80 percent over two years.

According to data of the Ministry of Health and the Ministry of Interior, the number of officially registered drug addicts is increasing annually. In 1994, 1,082 drug addicts were registered and in the first months of 1995, the number increased to 1,665. Addicts are estimated to exceed these numbers by a factor of 10. Opiates and cannabis are the most widely used drugs, but use of synthetic drugs, heroin, cocaine, barbiturates, is also increasing.



Belarus has a well-developed chemical industry and the resources necessary for the production of synthetic narcotics. However, chemical control is a low priority for the GOB and there is no effort to develop a chemical control monitoring regime or legislation to target the diversion of such chemicals.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives and Law Enforcement.** The GOB has not yet formulated any long-range antidrug plans and most efforts continue to focus on interdiction. Responsibility is divided among the Ministry of Internal Affairs, the Customs Committee, Border Guards and the Ministry of Health. In June 1995, an interagency commission for combatting crimes and drug abuse was established by presidential decree to coordinate drug control. Tough antidrug legislation was forwarded to Parliament three years ago and the GOB is developing legislation to criminalize possession and personal consumption of drugs.

Authorities do not believe that money laundering is currently a problem. Nevertheless, bank secrecy and the lack of money laundering legislation may attract drug traffickers to launder their profits in Belarus. The growing number of casinos may also be used for money laundering. Belarusian law does not provide for the seizure of assets.

In the first five months of 1995 the following amounts of drugs were seized: 50 grams of heroin, 1,141 kilograms of raw opium, 7,753 kilograms of extracted opium, and 403 kilograms of poppy straw. About 25 percent of these drugs were seized from foreign drug dealers. In the first five months of 1995, 129 persons were arrested on charges of illegal drug trafficking; 19 of them were foreign nationals.

Demand reduction programs are limited. No national drug abuse prevention strategy has been developed in Belarus. The emphasis is on treatment and social rehabilitation of current drug addicts, with only limited efforts devoted to preventative and educational programs.

**Corruption.** The USG is not aware of any public corruption in Belarus related to drugs.

**Agreements and Treaties.** Belarus is a party to the 1988 UN Convention, the 1961 UN Single Convention on Narcotic Drugs, and the 1971 UN Convention on Psychotropic Substances. Belarus signed an agreement in 1933 on drug control assistance with Italy, and plans to conclude similar agreements with Austria, Bulgaria, Sweden and Germany. The GOB has also signed bilateral treaties on assistance with Lithuania and China, and Belarus is a party to the Commonwealth of Independent States Convention on Legal Assistance. In 1993, Belarus became a member of Interpol. Belarusian law has no provision for extradition.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued to urge the GOB to give increased attention to the drug issue. Efforts have focused on identifying possible areas for assistance and the need to implement the UN drug conventions. The USG is promoting anti-drug cooperation by those nations primarily in Western Europe that are most directly affected by heroin smuggling through Belarus.

UNDCP, with earmarked funds by the USG, is now providing drug control assistance, including demand reduction programs and advice to counter money laundering. The project is encouraging the GOB to develop a drug control strategy.

**The Road Ahead** The USG will continue to encourage the GOB to expand its drug control efforts and to improve its institutional law enforcement capacity. At the same time, the USG will continue to urge Western European nations most directly affected by narcotics traffic through Belarus to provide bilateral and multilateral counternarcotics assistance to Belarus.

## BELGIUM

### I. Summary

Belgium is not a significant producer of illicit drugs or precursor chemicals used to manufacture illicit drugs, but both transit Belgium in significant quantities bound for the rest of Europe. Narcotics traffickers seek to exploit Belgium's large port facilities, transportation infrastructure, and central location in Western Europe. Belgian law enforcement agencies observe a continued increase in drug trafficking from Asia and the Middle East via the Former Soviet Republics.

### II. Status of Country

The Government of Belgium (GOB) does not maintain drug-use statistics, but authorities believe the number of heroin users has reached a plateau. Cocaine seizures continue to decline steadily. However, synthetic drug consumption -- particularly "ecstasy" and LSD -- is rising among young Belgians.

During the first ten months of 1995, the Ministry of Finance's special financial police unit uncovered 352 transactions considered worthy of referral to prosecutors and worth over one billion dollars. Officials investigating these cases claim that two-thirds of the transactions involved drug-related money entering Belgium, mostly from the United Kingdom, to be converted into Dutch guilders on its way to the Netherlands. Most of the remaining third seems to have resulted from tax fraud transactions, mainly involving the Value Added Tax (VAT).

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Belgian Ministry of Justice maintains drug liaison offices in Paris, Vienna, Bogota, Wiesbaden, Washington, Rome, Madrid, The Hague, and Moscow (just opened in 1995). The drug liaison offices are staffed by either judicial police or gendarmerie (national police) officers. The Justice Ministry intends to open offices in Istanbul, London, and Ottawa as soon as budgetary resources permit.

**Accomplishments.** Belgium has concluded a bilateral accord with the Netherlands under which the Dutch will seek to reduce the number of coffee houses where "soft" drugs are sold and to prohibit the sale of such drugs to foreigners, including Belgians. In 1994, Belgian and Dutch police working together inspected 9211 vehicles and 12,383 persons, which resulted in 381 arrests and 449 drug seizures.

**Law Enforcement Efforts.** Belgian law enforcement is led by the judicial police (an investigative arm of the Ministry of Justice) and the gendarmerie. Drug seizures continue to rise sharply, mainly reflecting the increased use of Belgium, especially Antwerp, as a transit route for illicit drugs.

In 1995 the GOB issued implementing regulations for legislation passed in 1994 which authorized the use of wiretaps in criminal investigations. Belgian authorities began using the telephone intercept in 1995. Additional experience and the acquisition of new electronic equipment is expected to help police enforce the law more effectively.

**Corruption.** Corruption is not a problem in the Belgian public service or law enforcement agencies. Effective legal measures exist to combat and punish corruption.

**Agreements and Treaties.** Belgium has signed and ratified (as of October 25, 1995) the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Belgium is also a party to the 1961 Single Convention and its 1972 protocol. Belgium is a member of the Financial Action Task Force (FATF) and has implemented the EU Directive on Money Laundering.

The United States and Belgium have long had an extradition treaty. An updated treaty was signed in 1987, and has been ratified on the Belgian side but awaits action by the US Congress. The Supplementary Treaty on Extradition, also signed in 1987, and a Mutual Legal Assistance Treaty signed in 1988 and ratified by the United States in 1989, remain under internal Belgian review.

Belgium is a member of several international anti-drug organizations, including the Heads of European Narcotics Law Enforcement Agencies (HONLEA), the European Committee to Combat Drugs (CELAD), the Dublin Group, and the United Nations Drug Control Program (UNDCP). According to the UNDCP, Belgium pledged approximately \$389,000 in FY95 contributions to the UNDCP.

**Cultivation/Production.** There is no significant cultivation or production of illicit drugs in Belgium.

**Drug Flow/Transit.** Belgium remains an important transit point for drug traffickers because of its port facilities (Antwerp is Europe's second busiest port), airports, excellent road connections to neighboring countries, and central geographic location. Most illicit drugs passing through Belgium enter the country through the ports of Antwerp and Zeebrugge, across the border with the Netherlands, or through the Brussels airport. Smuggling routes change constantly, but Belgian authorities believe increasing drug shipments arrive from Asia and the Middle East through Eastern Europe and the Former Soviet Republics.

**Demand Reduction.** Belgium has an active anti-drug educational program which targets the country's youth.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Cooperation between the United States and Belgium continues to be excellent and is expanding. DEA and FBI enjoy close and effective cooperation with the judicial police and the gendarmerie. US law enforcement agencies represented in Brussels enjoy excellent working relationships with the Belgian National Magistrates and Prosecutor's offices.

**The Road Ahead.** The United States looks forward to continued close cooperation with Belgium in combatting illicit drug trafficking and drug-related crime, and to continued Belgian participation in multilateral counter-narcotics fora such as the Dublin Group and the UNDCP.

## **BULGARIA**

### **I. Summary**

Bulgaria continues to be an important conduit for smuggling narcotics from Southwest Asia to Western Europe. While international sanctions against Serbia forced traffickers to shift from the Turkey-Bulgaria-Serbia route, Bulgaria, continued to play a key role as a transit point between Turkey and Romania and the Former Yugoslav Republic of Macedonia. Cocaine traffickers have also begun using Bulgarian airports to circumvent improved security at West European airports. Small-scale illicit opium poppy and cannabis cultivation and production of amphetamines remain a problem. Domestic drug use, while relatively low, is increasing. Bulgaria is a party to the 1988 UN Convention, but it still lacks key counternarcotics legislation to thwart drug trafficking operations in the country. The Government of Bulgaria (GOB) continues to work on a national anti-drug strategy and on legislation to deter money laundering.

### **II. Status of Country**

Bulgaria's central location on the Balkan peninsula is attractive to Southwest Asian heroin smugglers. The imposition of sanctions on Serbia has prompted drug traffickers to shift their smuggling from Serbia to Romania or to the former Yugoslav Republic of Macedonia, resulting in the continued transit of narcotics through Bulgaria. However, trucks carrying illicit drugs from Turkey have recently begun using ferries from Istanbul to Romania, bypassing Bulgaria. GOB officials attribute the drop in the number of drug seizures in 1995 in part to this alternate route. This conflicts with reports from Romanian authorities, however, who say that drug trafficking through Romania has declined. Drug traffickers, particularly cocaine smugglers, increasingly used Bulgarian airports to move their product.

The drug abuse problem in Bulgaria is growing but remains relatively small. Bulgarian officials estimate there are 3,000-5,000 hardcore addicts and 15,000-20,000 intermittent users in this nation of 8.5 million people. Marijuana use is a new and rapidly growing problem, particularly among the young.

GOB authorities have detected illegal production of amphetamines, including captagon. They also note increased smuggling through Bulgaria to Turkey of chemicals such as acetic anhydride used in the production of heroin.

Bulgaria is not a major financial center, but the changing character of financial institutions and the lack of comprehensive legislation and controls provide increased opportunities for narcotics-related money laundering.

### III. Country Actions Against Drugs in 1995

The GOB is exerting greater efforts in developing an effective national drug control strategy. In July, the GOB passed legislation which codifies the counternarcotics responsibilities of the Interior Ministry's Central Service for Combatting Organized Crime and Narcotics Trafficking (Central Service), and permits controlled delivery of narcotics by law enforcement authorities for drug-related investigations.

The GOB is now drafting implementing legislation to the 1988 UN Convention which will be presented to the Bulgarian Parliament in 1996. The legislation includes: amendments to the National Health Law to eliminate legal opium poppy cultivation for medicinal and research purposes; revisions to the penal code; laws to control money laundering and asset seizure; and revisions to the customs law.

Bulgaria's Interministerial Council for Drug Matters was reconvened in 1995 under the new Bulgarian administration and is working to develop a counternarcotics strategy, which it hopes to present to the Council of Ministers in early 1996.

**Law Enforcement Efforts.** The Central Service continues to work with the USG on drug-related cases. In 1995, Bulgarian customs and police officials seized over 487 kilograms of illegal drugs compared to over 920 kilograms in 1994. Bulgarian authorities attribute the drop in seizures to a shift smuggling routes. GOB police also seized 6 kilograms of cocaine in December 1995, the largest Bulgarian cocaine seizure to date.

**Corruption.** The USG has no information of senior GOB officials' involvement in drug trafficking or other narcotics-related crimes.

**Agreements and Treaties.** Bulgaria is a party to the 1988 UN Convention, the 1961 Single Convention and 1972 Protocol thereto, the 1971 Convention on Psychotropic Substances, and the 1990 Council of Europe Convention on Money Laundering, Search, Seizure and Confiscation of Proceeds From Crime. A "Yugoslav" national accused of narcotics trafficking was extradited to the United States in 1995 under the 1924 U.S.-Bulgarian extradition treaty, the second narcotics-related extradition to the United States in two years.

**Cultivation/Production.** Law enforcement officials eradicated 9.7 hectares of illegal cannabis in 1995. There is legal and illegal opium cultivation in Bulgaria. GOB authorities eradicated 0.7 hectares of illicit opium poppy cultivation in 1995; although Bulgarian authorities believe some illegal poppy cultivation has escaped destruction.

**Demand Reduction.** The Bulgarian National Center for Addictions has developed a national strategy on drug demand reduction for 1996-1999 to be reviewed for approval by the Ministers of Health and Education. The Center operates a school-based drug prevention program and opened a methadone clinic pilot project in 1995.

#### **IV. U.S. Policy Initiatives and Programs**

In 1995, the USG continued to urge increased attention by the GOB to the drug issue and by West European nations most directly affected by narcotics transiting Bulgaria. The USG agreed to provide computer and communications equipment to Bulgarian law enforcement agencies. In addition, the USG financed the training of Bulgarian counternarcotics officials, including participation in a regional chemical diversion control conference co-funded by the United States and the European Union.

**The Road Ahead.** The USG will continue to encourage the GOB to bolster its anti-drug efforts, particularly to thwart money laundering. It will also promote cooperation by Western European nations and support from UNDCP to assist Bulgarian law enforcement authorities with equipment and training. The USG will work with the GOB to identify its counternarcotics equipment and training needs, and to provide limited assistance to meet those needs.

## CYPRUS

### I. Summary

Cyprus is neither a producer nor consumer of significant amounts of narcotics although use of hashish by young Cypriots and tourists is growing. Drug traffickers use Cyprus as a meeting place to broker deals, taking advantage of its relatively sophisticated business and communications infrastructure. Cyprus ratified the 1988 UN Convention in 1990 and strictly enforces its tough domestic anti-drug laws. Police and customs authorities maintain excellent relations with United States and other foreign government officials. Cyprus has recently ratified the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, which criminalizes money laundering from most serious crimes; legislation to implement the convention is currently being drafted. Cyprus monitors the importation and exportation of chemicals for local markets; however, the country's geographic location and the free-port status of two of its seaports make it an ideal transit country for goods moving between Europe and the Middle East. The Central Bank has taken numerous measures to combat money laundering, but bank secrecy and other incentives to develop the offshore business sector make Cyprus vulnerable to money laundering activities.

### II. Status of Country

Cyprus itself does not produce or consume significant amounts of drugs although its strategic location in the Eastern Mediterranean makes it convenient for traffickers. Highly developed business and tourism facilities, a modern telecommunications system, and the fourth largest merchant shipping fleet in the world further attract traffickers to Cyprus. Traffickers can readily negotiate deals with third-country buyers, conceal heroin and cannabis resin in the substantial container traffic transshipped through Cyprus, and take advantage of air connections to transship currency and bullion to and from Europe. Still low by international standards, drug-related crime is on the rise in Cyprus.

Cyprus has also attracted over 20,000 international offshore companies, more than 2,000 of which are Russian. Cyprus' success as an international offshore center makes it vulnerable to international money laundering activities. Reports in the local and foreign press continue to suggest that Russian organized crime is using Cyprus extensively for money laundering. The Central Bank denies these reports and believes its general monitoring of monetary activities prevents any widespread money laundering activity, some of which would be drug-related. However, it is likely that money launderers use the legitimate facilities of Cyprus to further money laundering activities in other countries.

Cypriot law now carries a maximum prison term of one year for drug users under 25 years of age with no police record. Sentences for drug traffickers range from four years to life, depending on the substances involved and the offender's criminal record. Cypriot law allows the confiscation of drug-related profits regardless of possession and allows the freezing of profits or a special investigation of the suspect's financial records. No assets have ever been seized under this law.



International enforcement cooperation is limited by the de facto division of the island into a government-controlled area in the south and an essentially Turkish speaking area in the north that is effectively beyond the control of the GOC. Authorities in the GOC-controlled areas have no direct working relations with enforcement authorities in the "Turkish Republic of Northern Cyprus" or with Turkey. Turkish Cypriots have their own law enforcement organization, responsible for the investigation of all narcotics related matters.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** In July, the Cypriot Parliament ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, which criminalizes money laundering from all illicit funds; legislation to implement the convention is currently being drafted. Parallel to this, cooperation between Cyprus and other countries in the field of mutual legal assistance, training and exchange of information is likely to be strengthened significantly.

The Cypriot police force organized a working group of financial investigators and central bank officials to identify suspicious banking transactions and accounts. The Central Bank requested that all Cypriot banks appoint a member of their managerial staff as the "money laundering compliance officer" to report suspicious transactions to the police. The Central Bank also recommended that bank employees participate in special, on-going training programs to combat money laundering. The Central Bank, in cooperation with the association of commercial banks, is also preparing a "code of conduct" to prevent the criminal use of the banking system for the purpose of money laundering. Cypriot authorities have also tightened enforcement in a number of other areas including strict enforcement for possession or sale of any amount of controlled substances.

**Extradition.** Two rounds of negotiations have been held on a new extradition treaty between the United States and Cyprus, to replace one in effect since 1931. The USG is hopeful that conclusion of the new treaty, as well as consultations on implementation and other mutual legal assistance matters, will take place in 1996.

**Cultivation/Distribution.** The only controlled substance cultivated in Cyprus is cannabis which is grown in small quantities for local consumption. Eradication of such cultivation is vigorously pursued by the Cypriot authorities. Cyprus has a small but growing population of soft drug users. Distribution increases during the summer months in the tourist areas. Efforts to combat such distribution, like the illegal cultivation, are pursued aggressively by the Cypriot authorities.

**Sale, Transport, and Financing.** Cyprus attempts to interdict drugs transiting Cyprus when information is made available to the authorities. No significant sale has been identified as occurring in Cyprus.

**Money Laundering.** Offshore banking facilities make Cyprus vulnerable to money laundering activities. Identification of these activities remains difficult.

**Asset Seizure.** Cyprus has had an asset forfeiture statute since 1992, but it has never been used.

**Law Enforcement and Transit.** Cyprus maintains excellent cooperative relations with its neighbors, Europe, and the US and is quick to assist when requested.

**Precursor Chemical Control.** There is no production of precursor chemicals in Cyprus, nor is there any indication of illicit diversion. Precursor chemicals manufactured in Europe are believed to transit Cyprus. Cyprus Customs no longer receives manifests of transit goods, as the seaports of Larnaca and Limassol have been declared "free ports." Cyprus Customs is considered an income-generating rather than a law-enforcement agency. Goods entering Cypriot free ports can be reexported legally using different customs documents, as long as there is no change in the description of the goods transported.

**Demand Reduction.** Cyprus actively promotes demand reduction programs through its school system and social organizations.

**Law Enforcement Efforts.** Cyprus aggressively pursues drug seizures, arrests, and prosecutions for drug violations. Cyprus focuses on major traffickers when the opportunity arises, and readily supports the international community in its efforts. Cypriot police are generally effective although techniques and capacity remain restricted by a shortage of financial resources.

**Corruption.** Corruption in Cyprus is fairly limited. There have been accusations of senior-level police involvement in underworld corruption, including some related to drugs. The current acting police chief is investigating these charges and an internal investigation is underway.

**Agreements and Treaties.** Cyprus government authorities honor an existing US/United Kingdom treaty governing extradition that predates Cyprus' independence in 1960. Cyprus is a party to the 1988 UN Convention and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

**Drug Flow/Transit.** No significant increase has been observed over the last year. Cyprus police believe their efforts to combat drug trafficking have largely converted Cyprus from a drug transit point to a "broker point" for dealers. This change is likely also the result of Lebanese containerized freight now moving directly to third countries without transiting Cyprus. However, there were occasions in 1995 when heroin seized in London was identified as transiting northern Cyprus from Turkey. In addition, Cyprus has become a transit point for cocaine transported by commercial air from Brazil via Cyprus to the Middle East and the former Soviet Union.

**Domestic Programs.** Drug abuse remains relatively rare in Cyprus. Hashish is the most common drug used, followed by heroin and cocaine, all of which are available in most major cities. Users consist primarily of young people and tourists. Recent increases in drug use have prompted the GOC to promote actively demand reduction programs through the school system and social organizations. Drug treatment programs are also available.

#### **IV. US Policy Initiatives and Programs**

The USG will continue to support Cyprus' efforts to deter money laundering activities and encourage Cyprus to enhance the authority of police and customs officials to investigate narcotics violations.

**Road Ahead.** The USG anticipates continued excellent cooperation from both Cypriot police and customs officials in drug enforcement efforts. The USG will continue to track closely Cyprus' efforts to prevent the use of the offshore sector as a money laundering center.

## CZECH REPUBLIC

### I. Summary

In 1995, the Czech Republic emerged as a target of the drug trade, while continuing as a conduit for illicit drug smuggling. Drug traffickers rapidly expanded drug markets, money laundering operations, and production of amphetamines during 1995. Low drug prices in the Czech Republic and legislation which permits the possession of drugs for personal use also attracted increasing numbers of "drug tourists" from Austria and Germany. In response to the rising drug threats, the Government of the Czech Republic (GOCR) bolstered its antidrug program by developing a new three-year national antidrug campaign which, once adopted, will emphasize both law enforcement and demand reduction programs. New legislation which allows for undercover operations and targets money laundering will significantly increase the effectiveness of GOCR counterdrug operations. In December, the Czech Republic also signed the Council of Europe's Convention on Money Laundering, Seizure and Confiscation of Proceeds from Crime. Despite these signs of progress, the development of a national drug control plan was hampered by philosophical differences.

### II. Status of Country

Czech police believe that drug organizations are accelerating efforts to target domestic markets, strengthen smuggling networks, expand amphetamine production, and launder drug profits. According to Czech officials, organized crime groups from the Newly Independent States (NIS) and the former Yugoslavia, as well as Italian groups such as the Neapolitan Camorra and the Sicilian Mafia, are establishing bases in the Czech Republic.

These groups and others use the Czech Republic as a conduit for smuggling drugs to Western Europe. For instance, Turks and local Czechs, Kosovo Albanians, Russians, and former Yugoslavs move large cargoes of heroin from the Golden Crescent -- Afghanistan, Pakistan, and Iran -- to West European markets. More recently, South American cocaine traffickers have begun to target the Czech Republic as a staging ground to reach West European markets and Czech Customs officials recently apprehended a series of small-time drug couriers traveling by air to Prague.

The National Hygienic Service estimates the number of persons dependent on drugs at approximately 200,000, of whom about 1,200 are addicts. Drug use in the Czech Republic is on the rise, including in the countryside where demand reduction programs are scarce. Police authorities find that amphetamines are the most prevalent drug, but use of heroin and cocaine is also becoming more widespread. While amphetamines are often imported from Poland, pervitin, a stimulant manufactured locally from ephedrine, is also becoming more widely used. The relatively low prices and the legal provision permitting possession of drugs for personal use, are also attracting drug "tourists," particularly from Germany. In the Czech Republic, heroin and cocaine sell for one-third of the price they command in either Germany or Austria.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In response to the rise in drug abuse, the Czech National Drug Commission (NDC), which coordinates among eleven ministries and departments, is developing a three-year national counternarcotics plan that emphasizes both law enforcement and drug abuse prevention and treatment. Key to this effort, is an extensive demand reduction training plan focusing on school-based prevention programs, which are being extended from elementary to high schools. The Czech government made steady progress in revising antidrug legislation to bolster law enforcement mechanisms targeted against crime and facilitate implementation of the 1988 UN Convention. The changes include:

- amendments to the penal code, allowing the police to conduct undercover operations, providing for the use of confidential informants, and establishing a witness protection program.
- the adoption of a draft bill on narcotics and psychotropic substances which will give the Ministry of Health the authority to control pharmaceutical imports and exports and to register the cultivation of opium and hemp.
- the introduction of a bill criminalizing money laundering in the 1995 session of Parliament. The bill, which Czech authorities expect will come into force in July 1996, will require banks and other financial organizations to report unusual financial transactions and cash transactions over 500,000 Czech crowns, and will set up a monitoring unit in the Ministry of Finance.

Despite these key gains made in forming a response to the growing drug threat, GOCCR efforts were hampered by basic philosophical differences. Disagreements by cabinet members about whether possession of drugs for personal use should remain legal continue to reduce the effectiveness of the national counterdrug program.

During 1995, GOCCR also began expanding its interdiction campaign, including giving its customs agents law enforcement authority. While seizures remained low, enforcement efforts yielded increased arrests. Seizures in 1995 totalled 5 kilograms of heroin, 52 kilograms of cocaine, 36 kilograms of ephedrine, and 5 kilograms of cannabis. Customs and police agents carried out 99 drug enforcement operations, arresting 174 people and dismantling a large illicit amphetamine operation and small methamphetamine laboratories. As a result of international cooperation, another 20 kilograms of heroin and 700 kilograms of cocaine were seized abroad and an ephedrine smuggling route from Mexico was discovered.

Government and non-government organizations (NGOs) provide programs for demand reduction and drug education. Anonymous advice, diagnosis, and treatment of drug addicts are available from both the government's health clinics and private institutions, including seven ngos. Organizations offering drug treatment and counseling reported increases in contacts from the public over the past year. The Ministry of Health's national coordinator for drug epidemiology has compiled a report on the extent of drug problems in the country. The Ministry of Health has developed a one-semester credit course in drug-use prevention for 1,700 teachers from all over the country; further material for parents and kindergarten teachers was distributed in 1995.

**Corruption.** The USG is unaware of any reports of official narcotics-related corruption in the Czech Republic.

**Agreements and treaties.** The Czech Republic is a party to the three UN conventions on narcotics: the 1961 UN Single Convention on Narcotic Drugs and the 1972 Protocol thereto, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention. The bilateral extradition treaty between the Czech Republic and the United States is in effect and includes drug-related offenses covered under the 1988 UN Convention.

In mid-December, the Czech Republic signed the Council of Europe's Convention on Money Laundering and the Seizure and Confiscation of Proceeds from Crime. The Convention provides a vehicle for member countries to freeze and seize assets in banking accounts in other member countries. The Justice Minister also signed several bilateral protocols to facilitate the extradition of persons wanted for criminal proceedings or sentenced to prison.

**Cultivation and Production.** Authorities believe that methamphetamine production is extensive, but most data are anecdotal. The Czech Statistical Office reported that there were 35,000 hectares of licit opium poppy cultivation for pharmaceutical products and poppy seeds for the food industry. Authorities predicted that total licit opium cultivation will be reduced to 25,000 hectares in 1996. There is no available information about large-scale cannabis cultivation, but authorities believe that cannabis is cultivated for personal use.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG continues to promote increased GOCR attention to the drug problem. Moreover, the USG encourages assistance for the GOCR from those nations, primarily in Western Europe, most directly affected by the drug problems of this region. In 1995, the USG increased cooperation with the Czech antidrug agencies and provided law enforcement and customs training.

**The Road Ahead.** The USG will encourage the Czech Republic to continue to expand its drug control activities and build up the nation's antidrug institutional capabilities. In 1996, the USG will provide three narcotics enforcement seminars to assist the Czech Government's counterdrug efforts. Additionally, the United States and the UNDCP will continue to support Czech participation in the Central European regional demand reduction program in Italy.

## DENMARK

### I. Summary

Denmark is a convenient gateway for narcotics to the Nordic region. Although traditional routes have been long-established, the development of trafficking from the Former Soviet Union is of deep concern. Danish authorities take a leading role in assisting the Baltic States in their efforts to combat narcotics trafficking, which they consider a part of "constructing an additional perimeter" in their own counter-narcotics operations. Danish authorities believe that large amounts of narcotics are transiting the region, but go undetected due to the open border agreements within Europe and the gigantic volume of goods shipped through Denmark. While hashish remains the drug of choice, the availability of cocaine has been growing steadily. Denmark ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1991. Denmark has effective money laundering regulations and cooperates in chemical control efforts.

### II. Status of Country

Danish authorities estimate that there were 10,000 users of hard drugs in 1995. Traffickers bring illicit drugs for local consumption and transshipment to the other Nordic countries. Heroin from southern Asia is transshipped to Western Europe and the United States, while South American cocaine is transshipped to Western Europe.

The Government of Denmark (GOD) heavily regulates the country's highly visible and active financial institutions, and has implemented formidable money-laundering legislation. It is unlikely that Denmark will become a major money laundering center.

Denmark, which has several large multinational chemical companies, has monitoring procedures in place to prohibit the availability of chemical precursors to producers of illicit narcotics.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** Recently passed laws and increased funding to implement the European Union's Directive on Money Laundering have increased the effectiveness of long-established transparency procedures in Danish financial institutions. Denmark's task force that monitors the distribution of precursor chemicals has reported no infractions of the requirements of the 1988 UN Convention goals for stemming the illicit trade in precursor chemicals. Denmark provides training, financing, and coordination assistance in interdiction to each of the Baltic States, especially Lithuania.

**Accomplishments.** Danish police authorities have received funding to increase their counter-narcotics efforts and have begun patrols through the "free city" of Christiania, an enclave of Copenhagen where the open sale and use of hashish have been long established.

Danish law permits the seizure of proceeds from criminal activities in drug-related cases. Assets are turned over to the State Treasury and are not available for use by law enforcement authorities, or to share with other countries. Denmark has been an active participant in international cooperation efforts on chemical precursors, out of concern that its advanced domestic chemical industry be misused.

**Law Enforcement Efforts.** Danish authorities seized 1591 kilograms of hashish during the first ten months of 1995, less than in 1994. During the same period, authorities seized 30.6 kilograms of heroin (21.2 kilograms in transit) and 88.2 kilograms of cocaine, both significant increases over the same time period in the previous year (18.4 and 25.1 kilograms, respectively). The amounts of hashish and cocaine seized in transit in 1995 rose dramatically, although amounts remained modest. Danish authorities attribute the increase in seizures of hard drugs to a more wide-spread, highly-funded, and effective counter-narcotics effort.

**Corruption.** Denmark has no cases, in recent memory, of a senior official in any branch of government service being involved in drug production, trafficking or money laundering.

**Agreements and Treaties.** Denmark has not entered into any formal agreements or treaties since the March 1995 INCSR, but has been active in Dublin Group and EU meetings on counter-narcotics issues. According to the UN Drug Control Program (UNDCP), Denmark pledged approximately \$2.4 million in FY95 contributions to the UNDCP.

**Drug Flow/Transit.** Denmark's location and extensive transportation infrastructure make it a convenient transit point for Asian heroin and hashish destined for other Nordic countries, Europe, and the United States. Cocaine transits Denmark on its way to other Nordic countries and, to a lesser extent, Europe.

**Demand Reduction.** The Ministry of Education administers an extensive anti-drug education program. The school program is supplemented by anti-drug programs in youth centers and publicity in areas where young people congregate. Drug abuse treatment takes place in a large number of institutions throughout Denmark. In addition to free in-patient care at most hospitals, there are free out-patient programs in hospitals, youth crisis centers, and special out-patient clinics.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The active US Drug Enforcement Administration (DEA) office in Copenhagen has excellent cooperation with the Danish law enforcement community. United States Government (USG) agencies work closely with the Danish Ministries of Justice and Foreign Affairs in both bilateral and multilateral counter-narcotics issues.

**The Road Ahead.** The USG anticipates continued close cooperation with the GOD in law enforcement. We look forward to expanding joint operational efforts with Danish officials on individual cases of mutual interest. The USG will continue to encourage Denmark's active participation in the Dublin Group and will encourage Denmark to expand its support of UNDCP programs. The USG will assist and cooperate with Denmark in joint counter-narcotics efforts in the Baltic States.



## FINLAND

### I. Summary

Finland does not produce narcotic substances or significant quantities of precursor chemicals. Narcotics trafficking and use remain a minor problem for Finnish authorities. Consumption, demand, arrests and seizures of narcotics increased in 1995 over 1994 levels, but law enforcement kept pace with the challenge. The Finnish government continued its efficient enforcement of narcotics laws, its prompt prosecutions, and its harsh sentencing of narco-criminals. Beginning October 1, 1995, the government of Finland - for the first time - authorized the use of electronic surveillance by police to target narcotics traffickers. Finnish officials believe Helsinki's international airport is becoming an increasingly popular transit point for narcotics couriers working for Nigerian criminal organizations.

Finland is not a significant money laundering center. In 1994, the Government of Finland (GOF) passed legislation which made money laundering an illegal and punishable act. In 1995, authorities used this legislation effectively to prosecute offenders.

### II. Status of Country

The GOF does not maintain statistics on drug use. However, various government organizations have begun studies to determine the scope of the problem. Finnish officials believe that demand for heroin is increasing, but insist the rate of increase is lower than in Norway and Sweden. Authorities have uncovered and prevented attempts to establish small-scale laboratories for processing illegal drugs.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Representatives of Finland's Ministry of Social and Health Affairs are leading a governmental working group to develop a high-level strategy for combating narcotics-related crime and drug abuse.

**Law Enforcement Efforts.** Efficient law enforcement has allowed the GOF to enjoy a great deal of success on the counter-narcotics front. Both the customs service and the police operate within a vertical command structure which allows for the direct transmission of information and orders. Both forces adapt their tactics and operations to match changing criminal and smuggling trends. Their close cooperation has prevented precursor and essential chemical diversion problems.

**Agreements and Treaties.** Finland is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Finnish legislation complies fully with the Convention's goals and objectives. Finnish drug law covers the distribution, sale and transport of narcotic substances, as well as extradition, law enforcement, transit cooperation, precursor chemical control, demand reduction and drug abuse.

**Drug Flow/Transit.** Finnish authorities are concerned about increased drug flows from the Former Soviet Union. However, most narcotics smuggled into Finland come from the Netherlands bound for larger markets in Western Europe. South America and Asia are the other principal sources. Law enforcement officials have detected an increasing number of Nigerian traffickers entering Finland by rail or road from Moscow and St. Petersburg, taking advantage of direct flights to Moscow from Southeast Asia. Once in Finland, they have travelled to major distribution centers in Europe (principally Amsterdam and Copenhagen) on inter-European flights, thereby avoiding customs inspections at their final destinations. Between 1992 and 1994, Finnish authorities arrested 70 traffickers as they attempted to use this travel route and seized over 30 kilograms of their heroin.

**Corruption.** Corruption among public officials has not been a problem in Finland. There are no recorded cases of government officials assisting narcotics trafficking.

**Cultivation/Production.** The United States Government (USG) is not aware of any reported cultivation or production of illicit drugs in Finland.

**Demand Reduction.** Finnish demand reduction programs emphasize treatment rather than punishment. The Finnish Ministry of Social Affairs and Health is the lead governmental agency in designing treatment and educational programs to prevent narcotics abuse. In recent years, this agency has focused its efforts on developing programs that target Finnish students aged 10-14.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The USG focuses its counter-narcotics efforts in Finland principally on training Finnish officials to prevent drug trafficking and abuse. During the last five years, Finnish police officials have attended a variety of relevant courses in the United States, including the International Narcotics Enforcement Managers Seminar and the International Forensic Chemists Seminar. During 1995, cooperation between the US Drug Enforcement Administration (DEA) and Finnish authorities continued, with visits to Finland by DEA agents stationed in Copenhagen who sought to coordinate tactics and counter-narcotics strategy with their counterparts. USG assistance prepared Finnish authorities to help Estonia combat drug trafficking by providing training to Estonian officials.

**The Road Ahead.** Organized criminal activity in Finland resulting from the breakup of the Soviet Union will continue to pose vexing problems in the fight against narcotics-related crime. Thus far, Finnish authorities have kept pace with the challenge. The USG will continue its close cooperation with Finnish officials, particularly in the field of law enforcement, and encourage Finland to continue providing training in Estonia.

## FRANCE

### I. Summary

France remained an important transit country, particularly for narcotics originating in the Middle East and Southwest Asia. Heroin is the drug of primary concern to the Government of France (GOF), but a dramatic increase in the trafficking and consumption of cocaine in 1995 -- including crack cocaine -- attracted the Government's attention. France remained in the forefront of European countries opposing drug decriminalization.

Proposed legislation, likely to be enacted by the French National Assembly in early 1996, will strengthen criminal penalties for money laundering. The proposed asset seizure law as it relates to laundering of drug proceeds, considered one of the strongest in Western Europe, should prove quite helpful in enforcing French drug control measures.

France produces a variety of precursor and essential chemicals, which the GOF actively monitors and controls through an inter-agency office at French Customs. France adopted the EU's chemical regulations in 1993 and has fully implemented these regulations.

### II. Status of Country

Seizure and consumption data from 1994, which were released in the Spring of 1995, suggest growing activity by French narcotics traffickers and consumers. Narcotics data for 1995 will be released in the Spring of 1996. In 1994, arrests for heroin use grew to 17,149 -- an increase of nearly 15% over 1993. Arrests for cocaine/crack cocaine use grew to 1,278 persons in 1994 -- an increase of 25% over 1993. Drug-related deaths increased by 24% in 1994 compared to 1993, mainly from heroin overdoses.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** France's new penal code, effective in March 1994, has made drug trafficking punishable by life imprisonment and drug production by a 30-year term. Those accused of directing a drug-producing or drug-trafficking ring face judgment by a special court that handles spy and terrorism cases. Previously, French authorities had classified drug trafficking as a misdemeanor.

In 1995, the GOF maintained a firm stance against narcotics decriminalization. Polls confirmed that most French citizens support the Government's position. Generational differences of opinion about decriminalizing drugs are striking; support for decriminalization is more apparent among the younger generation, from those polled.

**Agreements and Treaties.** France is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and is complying with the Convention's goals and objectives. The United States Government (USG) and the GOF have narcotics-related agreements, including a 1971 agreement on coordinating action against illicit trafficking. The United States and France have an Extradition Treaty, but French law does not permit the extradition of French citizens. The GOF has, however, formally arranged with the USG and some other countries to prosecute its nationals domestically for extraditable crimes committed elsewhere.

France participates in international drug control fora, including the United Nations International Drug Control Program (UNDCP), the Financial Action Task Force (FATF) and the Dublin Group. Annual French expenditures for overseas counter-narcotics assistance of all types (police training, crop substitution, prevention) totalled approximately \$10 million in 1995. According to UNDCP, France had pledged over \$900,000 in FY95 contributions to UNDCP, as of early 1996. The French Foreign Ministry's Office of Security Affairs, which monitors terrorism, organized crime, narcotics and money laundering expanded its participation in international drug control organizations in 1995.

**Law Enforcement.** The Government's enforcement of narcotics laws has remained efficient and effective. Drug trafficking arrests rose to 7,149 in 1994, more than an 11% increase over 1993. Arrests for heroin trafficking increased from 3,395 in 1993 to 3,562 in 1994. Arrests for cocaine trafficking, including crack cocaine, increased 109% in 1994 to 542 persons. Seizures rose sharply over 1993 figures with a 26% increase for cannabis (58,014 kilograms (kg)); a 71% increase for heroin (661 kg); and a 166% increase for cocaine (4,742 kg).

**Corruption.** Public corruption related to drugs is not a problem in France. The USG is not aware of any involvement by senior officials in the production or distribution of drugs, or in the laundering of drug proceeds.

**Drug Flow/Transit.** France is an important transshipment point for illicit drugs, especially heroin. Heroin is shipped primarily from the Netherlands, Pakistan and Turkey into the French domestic market, and then transshipped to other European markets or North America. According to the GOF, approximately 35 percent of the heroin seized, whose origin could be identified, came from the Netherlands in 1994. Nigerian drug organizations continue to use a variety of nationals to smuggle heroin, via France, to the United States. However, the total amount of heroin transiting France en route to the United States is unknown.

France is also a transit route for hashish originating in Southwest Asia (particularly Pakistan), Lebanon, and North Africa destined for French domestic consumption, European markets, and North America, especially Canada.

France is a growing transshipment point and consumer market for South American cocaine. Criminal groups operating in the Netherlands and southern France near the Spanish and Italian borders supply the French market with cocaine.

**Cultivation/Production.** According to authorities, the manufacture and cultivation of illicit drugs is not a problem in France.

**Demand Reduction.** France's drug control agency, the General Delegation for the Fight Against Drugs and Addiction (DGLDT), is responsible for coordinating demand reduction programs. In 1995, the GOF's budget for drug control programs totalled \$200 million, nearly a four-fold increase over 1994. Drug education efforts targeted government officials, counselors, teachers, and medical personnel. The GOF continues to expand its experimental methadone treatment program.

France produces amphetamines and reports its production to the International Narcotics Control Board (INCB). As a producer of licit chemicals used to make illicit narcotics, France has continued to improve its cooperation with the Drug Enforcement Administration (DEA) to monitor and control these products.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The United States and France enjoy excellent counter-narcotics law enforcement cooperation. The French police participate in USG-sponsored money laundering courses and in specialized narcotics training courses. The USG also works with the GOF to provide counter-narcotics assistance to narcotics-producing and transit countries, and is pressing for a bilateral agreement on sharing seized and forfeited assets. During his State visit in February 1996, President Chirac identified closer bilateral and multilateral cooperation with the United States as a high priority for his Government.

**The Road Ahead.** The United States looks forward to continued close cooperation with France on all counter-narcotic fronts, including in multilateral anti-drug fora such as the Dublin Group, and will work closely with the French in developing a maritime agreement for the Caribbean.

## **GERMANY**

### **I. Summary**

The Federal Republic of Germany (FRG) is not a major narcotics producing country, but it is an important consumer and transit country. With its historic strength in the chemical and pharmaceutical industries, Germany manufactures or sells most precursor and essential chemicals. Germany is becoming more active in the fight against money laundering and takes a global approach to combatting narcotics trafficking.

Heroin abuse appears to be on the decline, although it remains a significant problem. The use of cocaine, amphetamines and ecstasy is growing, and LSD also appears to be on the rise. Heroin shipments originating in Turkey or Southwest Asia are funneled into Germany through Eastern and Central Europe. The Netherlands and Poland continue to be Germany's primary source for illicit amphetamines.

German and American authorities cooperate and consult extensively on prevention programs, interdiction, money laundering, and Dublin Group matters. Demand prevention continues to be an important tool in Germany's drug policy. On the law enforcement side, the German police use sophisticated interdiction techniques and have had great success seizing narcotics shipments and uncovering illegal amphetamine laboratories.

### **II. Status of Country**

Heroin abuse is declining, but cocaine and amphetamine use is rising. The number of first-time users of heroin has decreased by nearly 18%, although the total number of first-time users still creates a demand. According to German officials, heroin seizures during the first nine months of 1995 decreased by nearly 50%, compared to the same time period in 1994.

Demand for synthetic drugs, especially ecstasy, is growing. According to the FRG's narcotics situation report, seizures of ecstasy were up 137% in the first nine months of 1995. LSD use and seizures were also up, and the first-time use of amphetamines has increased 34%. The Netherlands remains the main country of origin for synthetic drugs.

The number of first-time users of cocaine increased only 1.4%, after a 30% rise in 1994, although cocaine seizures for the first nine months of 1995 are already double that of the entire previous year. Colombian drug cartels continue to be attracted to the lucrative European market where cocaine prices are significantly higher than in the United States.

By the 30th of September 1995, 1,051 drug deaths were reported in Germany, an 8.6% decrease over the first nine months of 1994.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Germany is considering implementing a new program towards heroin addicts that would include a methadone program and extensive psychotherapy for the addict. A German Supreme Court decision

in 1994 to tolerate (but not technically legalize) possession of small amounts of cannabis continues to cause controversy between the Federal Government and the states, which have their own laws defining what constitutes a "small quantity." This controversy reflects a lack of consensus in German society on this subject.

Germany is an active member of various international counter-narcotics groups including the Dublin Group, and is a major donor to the UN Drug Control Program (UNDCP). According to UNDCP, Germany pledged approximately \$6.4 million in FY95 contributions to the UNDCP. Germany is promoting an alternative development strategy in Bolivia and Peru focusing on regional economic development.

**Accomplishments.** Seizures of synthetic drugs, especially ecstasy and LSD, are up sharply. Germany has modernized its drug monitoring system in the Port of Hamburg so that the Port now has the ability to X-ray containers.

**Law Enforcement Efforts.** Germany gives high priority to counter-narcotics law enforcement; authorities continue to be efficient and effective; and measures taken in accord with the country's counter-narcotics plans are adequate. Cooperation with US law enforcement officials is excellent, and German law enforcement agencies take an increasingly global approach to combatting narcotics trafficking. Germany has taken appropriate steps toward strengthening its law enforcement efforts in money laundering, although the 1993 money laundering law has shortcomings that hinder its effectiveness. The law is difficult to implement because the burden of proof is on the Government, which has only 48 hours to develop its case. The German Interior Ministry has announced its intention to tighten money laundering laws.

The FRG has the authority to seize assets, and the law allows for civil and criminal forfeiture. But other than normal inventory procedures, Germany has not established separate systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets; nor has it enacted laws for sharing seized narcotics assets with other governments; nor is new legislation being considered. Weaknesses in the reporting requirements may allow traffickers to shield assets. To the extent that the law allows, German authorities cooperate with US efforts to trace or seize assets, and the Government makes use of tips from other country enforcement officials regarding the flow of drug-derived assets.

The banking community cooperates with enforcement efforts. No retaliatory actions by traffickers against money laundering investigations, government cooperation with the USG, or seizure of assets have been reported.

**Corruption.** Drug-related corruption among officials is not a problem. Germany does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions.

**Agreements and Treaties.** Germany is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Germany has participated in the Financial Action Task Force (FATF) and is a part of the EU chemical control effort. At present, there is no Mutual Legal Assistance Treaty between the United States and Germany. Without such a treaty, the US Department of Justice has to go through "letter rogatory" procedures to obtain evidence necessary for prosecutions in almost all investigative requests.

**Cultivation/Production.** There is no reported illicit cultivation of natural narcotics, or illicit production of opium or coca in Germany. Poppy seeds for use in bakeries are licensed on a small scale in Bavaria only. This production is under strict control, and no diversion has been reported.

There were no reported illicit heroin laboratories in Germany during this past year. One crack cocaine laboratory was seized in 1995. A total of eight clandestine laboratories were seized during the first three quarters of 1995. Of these, five were amphetamine laboratories.

A recent investigation led to the immobilization of a major steroid trafficking organization in Germany, yet Germany continues to be a source country for anabolic steroids entering the illicit market.

**Drug Flow/Transit.** Germany's location at the center of Europe makes it a key crossroad for drug trafficking. The major seaports of Hamburg, Bremen, and Rostock are important ports of entry for drugs smuggled into Germany concealed in containerized cargo. Frankfurt International Airport is a hub for drugs carried by air couriers originating from the Orient, Southwest Asia, Africa, and South America. Turkey continues to be the most important source and transit country for heroin seized in Germany. Most of the heroin is transported through various Balkan routes.

**Demand Reduction.** Germany has a very active demand reduction program on both the federal and state levels. The goals of Germany's drug reduction program are total abstinence from illegal drugs; self-control when using "legal addictive substances" (alcohol and tobacco); and use of medication in accordance with directions. Target groups include the general public, the media, school personnel, those involved with youth outside of school, young adults, and parents.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** US and German law enforcement cooperation is excellent. German and US authorities routinely cooperate on joint investigations of international drug trafficking organizations. The Internal Revenue Service (IRS), the Drug Enforcement Administration (DEA), Federal Bureau of Investigations (FBI), and US Customs Service presented four money laundering seminars to compare US and German money laundering laws in Stuttgart, Dusseldorf, Berlin, and Leipzig. The seminars were hosted by the US Consuls General of each city and were attended by large numbers of German police, tax, and Customs officials, and by prominent leaders of the German banking community.



**The Road Ahead.** The United States will continue its effective working relationship with German authorities bilaterally and through the Dublin Group. The IRS, in an effort to develop better liaison and develop prosecutable money laundering cases, has established a Frankfurt sub-office, which will become operational in January 1996, staffed by an IRS criminal investigator who is charged primarily with money laundering investigations.

## GREECE

### I. Summary

Greece is a key transshipment point for narcotics produced in the Near East and South Asia and destined primarily for Western Europe. The ongoing war in the Former Yugoslavia has led traffickers to pursue new routes through Greece and the Balkans. Greek authorities believe domestic drug abuse is growing, especially the use of heroin.

While Greece is not considered a major financial or money laundering center, Greek authorities believe that some money laundering occurs. Authorities have noted an increase in the number of illegal money couriers transiting Greece with large quantities of cash en route to Cyprus.

Greece is not considered a principal producer, supplier or transshipment point for precursor chemicals. A special unit in Greek Customs tracks and investigates chemical imports and exports.

### II. Status of Country

Greece's extensive coastline, numerous islands, and large merchant marine industry attract narcotics traffickers who seek sites to transship drugs bound for other European markets. Illicit drugs pass through the Balkan peninsula, moving from Turkey through Greece and Albania to Italy; or from Greece and/or Turkey to Bulgaria and then north to Central and Western Europe.

The domestic market for illicit drugs in Greece is small but growing, especially for heroin. Use of cocaine, LSD, ecstasy, barbiturates, amphetamines and locally grown marijuana is increasing. Officials estimate Greece has 70,000-80,000 heroin users. Although authorities seized a small amount of crack cocaine in 1994, they do not believe it is used widely.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In August, the Greek Parliament approved money laundering legislation intended to bring domestic law into compliance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The Government of Greece (GOG) believes the legislation accords with the EU Directive on Money Laundering and the recommendations of the Financial Action Task Force (FATF). The new law prohibits all forms of money laundering.

In 1995, the Ministries of Finance and Public Order established a joint financial crime unit to combat money laundering and conduct financial investigations. In January 1996, the GOG opened its first pilot methadone treatment centers for heroin addicts in Athens and Thessaloniki.

**Agreements and Treaties.** Greece is a party to the 1988 UN Convention, and meets the Convention's goals and objectives relating to drug cultivation,

distribution, sale, transport, law enforcement, transit cooperation, and demand reduction. Greece passed implementing legislation for essential and precursor chemical controls in 1994. Greece and the United States have an Extradition Treaty and an agreement to exchange information on narcotics trafficking, both dating from 1928. Greece actively participates in various international counter-narcotics organizations, including the Financial Action Task Force (FATF) and the Dublin Group, where it chairs the Balkans/Near East regional working group.

**Law Enforcement.** Greek and American law enforcement authorities cooperate closely. The GOG routinely honors specific USG requests for GOG legal assistance. Greece has no laws permitting the sharing of assets with the USG.

The Central Narcotics Council - consisting of representatives of the Ministries of Public Order, Finance, and the Merchant Marine - coordinates drug enforcement activities. As of December 20, 1995, authorities had seized 172 kilograms (kg) of heroin, compared to 283kg in 1994, and 9kg of cocaine, compared to 169kg in 1994. Authorities had also seized 210kg of cannabis resin and 924kg of cannabis herb. There were 150 confirmed deaths from drug overdose in 1995.

**Corruption.** Greek authorities maintain that anti-corruption laws generally deter public officials from facilitating illicit production or distribution of drugs, or the laundering of drug money. However, police salaries are low and, while few specific cases may be cited, some corruption occurs. In August, a senior customs official and a retired policeman were caught trying to sell one kg of heroin to an undercover policeman. There are persistent reports of drug trafficking and official corruption in Greece's prison system; a former prison warden was convicted of weapons possession but acquitted of drug trafficking charges in 1995.

**Cultivation/Production.** Cannabis is cultivated in small amounts for local use. In addition, cannabis seed is exported to Albania. Opium poppies, used in Greek folk medicine for over two thousand years, are grown in the mountainous areas of northern Greece. As of December 20, 1995, authorities had eradicated 30,500 cannabis and 106 opium poppy plants.

**Drug Flow/Transit.** Greece remains a principal transshipment route for heroin and hashish arriving from the Near East and South Asia and bound for Western Europe and, to a lesser degree, the United States. Drug couriers continue to transit Athens Airport and, increasingly, Greece's Aegean Islands en route to drug markets in Europe and, to a lesser extent, the United States. Larger amounts of drugs are smuggled into Greece in ship containers, on bonded "TIR" trucks, in automobiles, on trains, and in buses. The trucks typically enter Greece the land crossings between Greece and Turkey, then cross by ferry to Italy. There appears to be an increase in cocaine shipments from Colombia to Greece. In December 1994, Greek authorities seized a record 109 kg of South American cocaine. The cocaine was to be shipped overland to Albania and then on to Italy. Hashish is also off-loaded in remote areas of Greece and transported to Western Europe by boat or overland. There is evidence of co-mingling of illegal alien and narcotics smuggling to Greece's Aegean Islands from Turkey.

**Demand Reduction.** The Ministry of Health's demand reduction agency, Okana, coordinates all demand reduction efforts. It develops and administers information and prevention programs, supports therapeutic communities for substance abuse, and cooperates with other agencies working on narcotics treatment and prevention. Okana also runs a program for addicted prisoners, as well as a substance abuse information center for teachers. In 1995, Okana opened a training school for drug prevention officers (social workers, teachers, psychologists). In January 1996, Okana opened several pilot methadone treatment centers.

Anti-drug education programs and press reports on deaths due to overdose have heightened public awareness of the growing drug problem in Greece, and a strong social consensus against drug trafficking exists.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** US law enforcement agencies enjoy excellent cooperation with their Greek counterparts. In 1995, Greek authorities cooperated with the United States in freezing bank accounts suspected of containing illicit funds derived from drug trafficking. US Drug Enforcement Administration (DEA) and US Customs officials provided a number of training programs to Greek officials in 1995. DEA holds monthly meetings attended by representatives from the Greek Coast Guard, the National Police and Customs, INTERPOL, and narcotics coordinators from foreign embassies. These meetings facilitate a useful exchange of law enforcement information.

**The Road Ahead.** The USG anticipates continued close cooperation with Greek law enforcement agencies. In 1996, the USG will offer investigative training opportunities and encourage active Greek participation in international anti-drug organizations, including the Dublin Group. DEA will also sponsor a counter-narcotics coordination meeting involving narcotics police officials from Greece and neighboring Balkan countries.

## HUNGARY

### I. Summary

Hungary continues to be an important conduit for illicit drug smuggling to Western Europe. Drug seizures in Hungary, however, appear to be leveling off after dramatic increases in recent years. Government of Hungary (GOH) authorities, on the other hand, are concerned that domestic illicit drug consumption increased in 1995. Hungarian law enforcement agencies are increasing their counternarcotics efforts. The GOH developed a national drug strategy in 1995 and passed important domestic precursor chemical control legislation. However, the Hungarian parliament has yet to ratify the 1988 UN Convention. Hungary ratified bilateral mutual legal assistance and extradition treaties with the United States in 1995.

### II. Status of Country

Drug traffickers are increasingly using Hungary as a conduit for smuggling Southwest Asian heroin to Western Europe, reflecting a shift in smuggling patterns from the former Yugoslavia in response to continued instability there. The new routes emphasize the use of Hungary, Romania, and Austria. Dramatic increases in seizures at the Romanian border in 1993 and 1994 reflected increased trafficking through Hungary. However, seizures in 1995 (500 kilos of heroin for 9 months of 1995 compared to 812 kilos for all of 1994) appear to have leveled off, reflecting the impact of improved enforcement, modernization of key border crossings, and possibly alternative smuggling routes around Hungary. More frequent seizures of cocaine at Budapest's airport is a concern; however, the amounts are small compared to heroin trafficking. Nigerian traffickers are believed to be using Hungary as a transit point for drugs.

Most of the drugs transiting Hungary, particularly heroin and cocaine, are destined for lucrative and well-established West European markets, but increasing amounts remain in the country. GOH officials are concerned about growing heroin use and rising use of the designer drug ecstasy.

Hungary has a well-developed chemical production industry, but GOH officials do not consider it a significant source of precursor and essential chemicals. The GOH introduced legislation to control domestic trade of precursor/essential chemicals to complement the existing import/export controls of 22 precursor chemicals.

Although money laundering was made a crime in Hungary in 1994, weak internal banking controls continue to make financial institutions vulnerable to money laundering. Hungarian officials are unable to verify the extent of money laundering.

### III. Country Actions Against Drugs in 1995

Hungary has not yet ratified the 1988 UN Convention, though it completed passage in 1995 of all the subsidiary legislation to harmonize existing laws with the Convention's requirements. The Interministerial Drug Committee

(IDC) responsible for coordinating Hungarian drug policy developed a national counternarcotics strategy in October 1995. The GOH also started a national mental health awareness program in 1995, which includes a drug abuse awareness component. Hungary is expanding cooperation with the European Union and individual European countries, and is working closely with the United Nations.

The Hungarian demand reduction program, operated by the IDC, coordinates efforts by 15 different government ministries and agencies. In 1995, the IDC focused on increasing the availability of drug abuse treatment programs, including programs for prisoners.

**Cultivation/Production.** Relatively small scale illicit cultivation of low-grade marijuana, and legal cultivation of opium poppy (approximately 5,500 hectares of licensed farms) continue. Hungarian authorities believe that amphetamines, ecstasy, and LSD are produced in limited amounts for sale in domestic markets.

**Corruption.** While the GOH does not have specific laws to address narcotics-related corruption, there is little evidence that drug-related corruption is currently a significant problem in Hungary.

**Agreements and Treaties.** Hungary is a party to the 1961 UN Convention amended by the 1972 Protocol, and the 1971 UN Convention. It has signed but not yet ratified the 1988 UN Convention. The USG and GOH signed a mutual legal assistance treaty and a new extradition treaty, both of which are awaiting Senate advice and consent to ratification. There is also a United States-Hungary Customs Agreement, which has been in place since 1993.

#### **IV. U.S. Policy Initiatives and Programs**

USG policy in Hungary focused on supporting Hungarian counternarcotics efforts through training and cooperation. The USG worked closely with the GOH to develop and finance the International Law Enforcement Academy (ILEA), which opened in Budapest in April 1995. The curriculum includes a significant component on counternarcotics. Twenty-two Hungarian police officers were trained in 1995 (along with 44 officers from other countries in the region). The USG also supported GOH participation in a regional demand reduction training program in Italy.

**The Road Ahead.** The United States will encourage Hungary to continue to expand its drug control activities and to ratify the 1988 UN Convention. The USG will also encourage support for law enforcement and demand reduction assistance for the GOH, primarily from Western European nations which are most directly affected by the drug problems in this region. In 1996, the United States will continue to provide limited law enforcement equipment and other anti-drug-related assistance to Hungary.

## ICELAND

### I. Summary

Iceland is not a significant producer or transit site for illicit drugs. Iceland's drug problem, while small relative to many countries, continues to have an impact on the domestic population, especially the young. The Government of Iceland (GOI) made little progress in 1995 to advance new counter-drug initiatives, but a surge of media and parliamentary interest at the end of the year helped boost the effort to educate young Icelanders about the dangers of drug use, and holds promise of forward movement in 1996.

### II. Status of Country

On a per capita basis, Iceland appears to have a relatively small drug problem, but concern about narcotics abuse increased dramatically at the end of 1995. Drug trafficking occurs on a minute scale; for instance, addicts purchase heroin abroad for their exclusive use, and almost never sell it in the domestic market. The most notable and alarming trend is the increase of drug abuse among young teens, including a number of 13 and 14 year-olds. There are rumors that even younger children are experimenting with drugs. In 1995, the drug-related suicides of two teens were reported by the press, which rarely reports suicides of any kind out of respect for the families. Both suicides were connected to the use of "ecstasy," a drug which has received a great deal of media attention.

While seizures of heroin, cocaine, and hashish went down in 1995, seizures of marijuana and amphetamines increased. Seizures of ecstasy (MDMA) increased dramatically in 1995, although they remain below the seizure levels of amphetamines and, especially, hashish.

### III. Country Actions Against Drugs

**Policy Initiatives.** Iceland has not ratified the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. No progress towards ratification occurred in 1995, but action is expected in 1996. Although Parliament has discussed softening Iceland's tough anti-entrapment laws, which do not permit the Narcotics Police to purchase drugs and then prosecute the sellers, it has not taken further action.

Discerning how drugs transit Iceland continues to be a matter of police guesswork. Iceland's Narcotics Police run a Joint Information Coordination Center (JICC) charged with monitoring aircraft transiting Iceland and reporting the information to the El Paso Intelligence Center (EPIC). Inadequate cooperation between the Narcotics Police and the Customs Service, inefficient, old software used with the JICC, and the delayed introduction of new software have contributed to making the program ineffective to date.

**Agreements and Treaties.** Iceland is a party to the 1961 Single Convention, its 1972 Protocol and the 1971 Convention on Psychotropic Substances. The United States Government (USG) and the GOI have an Extradition Treaty dating from 1902; a Supplementary Treaty was signed in 1905. Iceland participates in the Financial Action Task Force (FATF).

**Law Enforcement.** The Narcotics Police report the following drug seizure data for 1995: 10,933g of hashish, down from 20,235g in 1994; 305g of marijuana, up from 93g in 1994; 5,146g of amphetamines, up from 783g in 1994; 143g of cocaine, down from 317g in 1994; no confiscations of heroin, compared to 2g in 1994; 47,644 units of prescription drugs, up significantly from 16,232 units in 1994. The Narcotics Police believe the retail price of one gram of hashish, enough for five typical teens, equals the price of snacks for five at the movies. Ecstasy is also quite cheap. Police surmise that home narcotics production is limited to some indoor growing of marijuana plants.

Money laundering per se is not a crime in Iceland. To be a crime, laundered money must derive from some related activity that violates Icelandic law. Recent and current cases of money laundering in violation of Icelandic laws do not involve drugs. There were no reports of assets seized in 1995.

**Corruption.** The USG is not aware of reported cases of drug-related corruption among public officials in Iceland.

**Drug Flow/Transit.** GOI officials believe most illicit drugs transiting Iceland are destined for larger Western European markets, while smaller amounts of drugs are bound for the United States. Icelandic authorities seize most illicit drugs in small quantities from passengers on commercial airlines.

**Cultivation/Production.** Although 491 cannabis seeds and 221 cannabis plants were seized in 1995, the USG is not aware of any reported cultivation or production of illicit drugs in Iceland.

**Demand Reduction Programs.** The Ministries of Education and Health are responsible for Iceland's counter-narcotics educational programs. The Chairman of an inter-ministerial committee on drug abuse has expressed interest in various US demand reduction programs, especially the "Lion's Quest," a program sponsored by the Lions' Club International that attempts to bolster the self-esteem of students. The United States Information Service at the US Embassy continues to work with GOI officials in developing drug abuse prevention materials.

#### IV. US Policy Initiatives and Programs

**Bilateral Cooperation.** The GOI and the USG law enforcement cooperation continues to be excellent. USG counter-narcotics efforts in Iceland have focused on revitalizing a moribund JICC operation by retrieving more than a year's worth of JICC reports to EPIC (preserved as separate files), compiling them in a database in Microsoft format, and encouraging the timely sharing



of information between the Narcotics Police and customs authorities. As senior officials at the Ministry of Justice begin to resolve this problem, information may be available to customs authorities in 1996. This would enable the GOI either to begin making searches of suspect aircraft or to alert customs officials of an aircraft's next stop.

**The Road Ahead.** The USG will continue to encourage the GOI to accelerate its efforts to ratify the 1988 UN Convention. In addition, the USG will continue to improve the performance of the JICC program to increase controls over potential trafficking through Iceland.

## IRELAND

### I. Summary

Ireland is not a principal drug-producing country, but remains a key transshipment point for narcotics bound for the United Kingdom and continental Europe. Ireland complies fully with EU regulations on precursor chemical control and is not a significant money-laundering center.

### II. Status of Country

In 1995, the largest drug seizures in Ireland were of cannabis, ecstasy, and heroin. Irish authorities continue to report cannabis seizures far in excess of estimated local demand, revealing Ireland's importance as a regional transshipment point. Ecstasy use skyrocketed in 1995, with Irish officials confirming reports of its widespread availability throughout the country. Heroin abuse remains a significant social problem in Ireland, particularly in depressed urban areas in and around Dublin.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** In July 1995, the Irish Minister of Justice presented a comprehensive plan to counteract drug trafficking in Ireland. Provisions of the plan include: enhancing naval officers' search and seizure powers with regard to drugs; lengthening detention periods for suspected drug smugglers; and allowing police superintendents to issue search warrants in drug-related cases. In November, Parliament began drafting legislation that will need to be approved before the bulk of the plan can be implemented. Parliament expects to consider the legislation during its 1996 session.

**Law Enforcement Efforts.** Irish authorities moved drug-related crime to the top of Ireland's law enforcement agenda in 1995, replacing counter-terrorism security concerns. The Justice Ministry's comprehensive counter-drug plan has resulted in the reorganization of local police drug squads and the creation of a National Drugs Unit (NDU). The NDU, staffed by 40 full-time police officers, one customs liaison officer and headed by a detective chief superintendent, concentrates on importers, smugglers and traffickers and supports the efforts of local drug squads.

**Corruption.** Corruption among officials is not a problem in Ireland.

**Agreements and Treaties.** Concerns over extradition provisions in the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances delayed ratification in 1995, but Irish officials hope ratification will occur during the first half of 1996. Ireland is a founding member of the Dublin group and, although not a major donor, participates in the United Nations Drug Control Program (UNDCP). Ireland is an active participant in various EU counter-narcotics programs including the Drugs and Organized Crime Working Group and the EUROPOL drugs unit.

**Cultivation/Production.** Ireland is not a significant cultivation site for illicit drugs. However, authorities have reported annual seizure rates of several hundred cannabis plants over the past few years. In 1995, Irish authorities raided two ecstasy-producing laboratories - the first confirmation of local ecstasy production.

**Drug Flow/Transit.** Several major cannabis seizures occurred in 1995. Irish authorities believe the size of the seizures - in one case over 12 metric tons - indicates the motivation for smugglers was transshipment rather than local supply. Cannabis transits Ireland en route to continental Europe and the United Kingdom. Most cannabis available in the Irish market originates in North Africa, primarily Morocco, and is transported to Ireland by sea. Traffickers transport heroin and ecstasy to Ireland via air and passenger ferry, usually in quantities of approximately 100 grams.

**Demand Reduction.** In December 1995, the Education Minister announced a three-year pilot drug abuse prevention program targeting primary students, their parents and disadvantaged pupils. The program, slated to begin in September 1996, will consist of a drug awareness program for parents and teachers; a drug prevention program for primary pupils; and an anti-heroin program in schools located in areas with serious heroin abuse problems. Treatment facilities, particularly spaces for methadone maintenance programs, remain inadequate. Department of Health officials confirm that between 800 and 1,000 heroin addicts are on waiting lists for methadone maintenance.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Irish and US customs officials have completed negotiations and anticipate signing a Customs Mutual Assistance Agreement in early 1996. The Irish also have raised the possibility of negotiating a Judicial Assistance Agreement which would cover asset seizures in narcotics-trafficking cases.

**The Road Ahead.** The United States looks forward to working closely with Ireland during its 6-month EU presidency (beginning in July 1996) to advance counter-narcotics elements of the New Transatlantic Agenda agreed by President Clinton and EU leaders in Madrid in December.

## ITALY

### I. Summary

Italy is not a major drug producer, but Italian organized crime groups--especially the Sicilian Mafia, the Neapolitan Camorra, and the Calabrian 'Ndrangheta--cooperate directly with South American cocaine cartels and others to facilitate the transit of illicit drugs and the laundering of ill-gotten proceeds through Italy and the greater European market.

Italy's large financial sector serves as a significant money laundering center. Drug traffickers use the Italian banking and non-banking financial systems to launder proceeds from heroin and cocaine drug activities. Italy's organized crime groups use profits derived from narcotics trafficking to penetrate the Italian economy and to acquire assets overseas.

The Government of Italy (GOI) maintains effective precursor chemical controls.

### II. Status of Country

Heroin use in Italy has stabilized with an estimated 150,000 addicts while cocaine use has dropped in 1995 to about 200,000 users. Crack cocaine addiction is not a significant problem. A referendum to legalize marijuana and hashish could come to a vote in 1996; all major political parties oppose the proposal.

Italy has an established system for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and, in accordance with the Council of Europe's Directive on Money Laundering, has committed to share such assets with other member governments.

### III. Country Actions Against Drugs in 1995

The GOI remained firmly committed to the fight against narcotics trafficking in 1995. Italy continued its assault on organized crime, arresting and prosecuting numerous Mafia bosses and seizing over \$1.5 billion in assets from organized crime and narcotics traffickers. Vigorous law enforcement disrupted narcotics trafficking routes throughout Italy.

**Policy Initiatives.** Italy continued to develop its teledrug information sharing system, which currently allows thirteen countries to share narcotics trafficking data on a real-time basis. Italy provided a trainer for the US-led International Law Enforcement Academy (ILEA) in Budapest and committed funds to establish an international law enforcement and judicial training center in Italy.

**Accomplishments.** In December 1994, the United States and Italy announced the completion of Operation "Dinero", an inter-governmental, anti-money laundering operation targeted at drug traffickers; officials made numerous arrests and seized assets worth over \$50 million.

**Law Enforcement Efforts.** Established in 1992, the National Anti-Mafia Directorate has become an increasingly effective instrument in coordinating organized crime investigations and prosecutions at the national level. In 1995, law enforcement officials arrested hundreds of top-echelon Mafia, Camorra, and 'Ndrangheta figures, including Leoluca Bagarella, one of Italy's most wanted Mafia fugitives.

**Corruption.** Since 1992, prosecutors have performed widespread corruption investigations and charged numerous former officials--including a former Prime Minister and a former Minister of Interior--with being linked to organized crime. To date, these investigations have not resulted in convictions of high-level officials for involvement in illicit drug activities or organized crime.

**Agreements and Treaties.** Italy is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol; and the 1971 UN Convention on Psychotropic Substances. The United States and Italy have an Extradition Treaty and a Mutual Legal Assistance Treaty. Italy is an active participant in the Financial Action Task Force (FATF) and has numerous bilateral agreements for the exchange of information on money laundering. Italy's 1992 comprehensive money laundering law complies fully with the FATF's forty recommendations and the EU's money laundering directive. Italy is an active member of the Dublin Group and serves as its regional chair for Eastern Europe and the NIS. According to the UN Drug Control Program (UNDCP), Italy pledged approximately \$12.3 million in FY95 contributions to the UNDCP.

**Cultivation/Production.** There is no cultivation of opium or coca in Italy. Small amounts of marijuana are grown in southern Italy for domestic consumption.

**Drug Flow/Transit.** Italy is a transit point for Southwest Asian heroin destined for local consumption and other European markets. Law enforcement efforts and the war in Bosnia have disrupted the "Balkan Route" through northern Italy, displacing trafficking patterns to the north and to the south. Cocaine from Colombia, Argentina, and Brazil arrives in Italy by sea, overland from Spain and France, and by air. Reduced cocaine seizure levels in 1995 suggest that key Italian law enforcement successes in 1994 may have forced cocaine traffickers to diversify their methods. Growing evidence suggests some traffickers have begun shipping anabolic steroids--not covered by Italian anti-narcotics laws--into the United States.

**Demand Reduction.** Local governments, especially in Sicily, have devoted more resources to anti-drug civic action campaigns, in addition to treatment and prevention programs. In 1995, the Eastern European demand reduction training center, funded by INL and the United Nations Drug Control Program (UNDCP), continued to hold workshops at the Casa Famiglia Rosetta facility in Sicily.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Italian cooperation with US law enforcement and counter-narcotics agencies is exemplary. US and Italian law enforcement authorities continue to perform numerous joint operations against drug traffickers, money launderers, and organized criminals. Italy and the United States have advanced their cooperative relationship on a range of issues including money laundering and extradition. Both sides characterize their cooperation vis-a-vis extradition and mutual legal assistance as excellent.

**The Road Ahead.** The United States will continue to perform joint law enforcement operations and investigations with Italy that target international narcotics trafficking networks and organized crime, and to cooperate diplomatically in multilateral fora. The United States looks forward to working closely with Italy during its 6-month EU presidency in 1996 to advance counter-narcotics elements of the New Transatlantic Agenda signed by President Clinton and European Union leaders in Madrid in December 1995.

## LUXEMBOURG

### I. Summary

Luxembourg is an important international banking and financial center, and the Government of Luxembourg (GOL) works aggressively to deter money laundering by drug traffickers. Illicit drug production and trafficking do not pose significant problems in Luxembourg, but small amounts of drugs transit the country. Although authorities believe there are relatively few drug users in Luxembourg, they remain concerned about increasing drug abuse, especially among the youth. Consumption of ecstasy and LSD has grown. Luxembourg has experienced a higher number of drug-related deaths in recent years; twenty such deaths occurred in 1995 -- mostly of long-term drug addicts.

The diversion of precursor and essential chemicals to illicit drug manufacturers is not a significant problem in Luxembourg. In 1995, Parliament enacted a comprehensive chemical control law, bringing Luxembourg into compliance with the EU's Directive on Chemical Control.

### II. Status of Country

The GOL does not compile statistics on drug abuse. However, authorities believe that Luxembourg had approximately 2,000 hard drug users and at least 10,000 cannabis users at the end of 1995. The GOL prosecuted several minor drug trafficking and numerous drug possession cases during 1995. One significant arrest, which occurred at Luxembourg Airport, involved a Hong Kong citizen in possession of ten kilograms of heroin destined for the Netherlands.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In 1995, the GOL proposed new legislation to institutionalize formally its experimental methadone program, which was started in 1989. The program treated 60 addicts in 1995 and expects to treat up to 100 addicts in 1996. The proposed legislation would authorize the Luxembourg Health Ministry to license doctors to prescribe methadone for long-term drug addicts who have tried and failed at least three other treatment programs. The methadone program will be limited to 300 addicts. Government officials expect Parliament to enact the methadone law in 1996.

In 1995, Luxembourg began participating in the "mentor" assistance program, a drug treatment program for street children, by donating \$70,000 for projects in Nicaragua and Colombia.

**Accomplishments.** In December 1995, the Luxembourg Justice minister and his BENELEX partners signed a declaration of intent to develop an agreement which will deepen police and judicial cooperation in combatting drug trafficking between the three countries. Luxembourg is considering strengthening its anti-money laundering laws by broadening the penal code's definition of illegal money laundering to include laundering of proceeds derived from any criminal activity, not just narcotics-related activity. The Government deposits forfeited narcotics-related assets in the "Fonds de Lutte" against narcotics trafficking; these funds are used to finance demand reduction programs and to facilitate Luxembourg's participation in multilateral anti-drug efforts.

**Law Enforcement Efforts.** In 1995, Luxembourg authorities made 128 drug arrests, and seized 12.24 kgs of cannabis (compared to 316 kgs in 1994), 13.24 kgs of heroin (compared to 1 kg in 1994), and 0.53 kgs of cocaine (compared to 15 kgs in 1994).

**Corruption.** One prominent corruption case featured a Luxembourg gendarme engaged in drug trafficking.

**Agreements and Treaties.** Luxembourg is a party to the 1988 UN Convention Against Illicit Traffic of Narcotic Drugs and Psychotropic Substances and generally complies with the Convention's goals and objectives. Luxembourg is also a party to the 1961 Single Convention, its 1972 Protocol, and the 1971 Convention on Psychotropic Drugs. In December 1995, Luxembourg and the United States signed an Asset Sharing Agreement, under which one million dollars of seized proceeds from the "Santacruz-Londono" prosecutions in the United States were deposited in the "Fonds de Lutte". In 1995, the United States and Luxembourg reached agreement on a text for a Mutual Legal Assistance Treaty and a Double Tax Treaty with information sharing provisions: both treaties are expected to be ratified in 1996. Officials from both governments expect a Customs Mutual Assistance Agreement and a U.S.-Luxembourg Extradition Treaty to be signed in 1996. Luxembourg participates in several international counter-narcotics fora, including the Dublin Group and the Financial Action Task Force (FATF). The GOL announced plans to ratify the 1990 Strasbourg Convention on Money Laundering and Asset Seizure in 1996 and is working to bring its domestic laws into compliance.

**Cultivation/Production.** The United States Government (USG) is unaware of any reported production of illicit drugs in Luxembourg.

**Drug Flow/Transit.** In addition to small quantities of illicit drugs smuggled into Luxembourg via commercial air or overland from neighboring countries, Luxembourg authorities are concerned about the transit of significant quantities of drugs through Luxembourg's international airport.

**Demand Reduction.** Luxembourg continues to target youth in its demand reduction efforts. The Ministries of Education, Public Health and Justice jointly administer anti-drug educational programs. Luxembourg's new Center for the Prevention of Drug Abuse completed its first full year of operation in 1995. The Center's main objective for 1996 is to continue supporting primary prevention efforts by private organizations.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The USG and the GOL cooperate closely in counter-narcotics and judicial matters, particularly money laundering cases.

**The Road Ahead.** The United States looks forward to continued close law enforcement and diplomatic cooperation in counter-narcotics initiatives with Luxembourg, and will seek to work closely with Luxembourg in disposing of the seized assets deposited in the "Fonds de Lutte" from the "Santacruz-Londono" prosecutions. The United States welcomes Luxembourg's active participation in multilateral counter-narcotics fora such as the Dublin Group and the FATF.



## **MOLDOVA**

### **I. Summary**

Moldova's efforts to counter illicit narcotics activity were out-paced by increased drug smuggling operations in 1995. The Government of Moldova (GOM) antidrug efforts included consolidating law enforcement bodies, upgrading legislation, and establishing regional links with other law enforcement agencies to combat drug-related crimes. On balance, however, counterdrug efforts by the GOM continue to be hampered by limited financial resources, experience, equipment, and the lack of effective legislation and institutions. Moreover, although the GOM is a party to the 1988 UN Convention, the government has taken only very limited steps towards implementation.

### **II. Status of Country**

GOM officials believe that domestic drug use is on the rise and that Moldova is increasingly becoming a transshipment point for illicit narcotics. Although information is limited, seizures suggest that the frequency and the quantity of narcotics transiting the country sharply increased in 1995 with growing amounts of cocaine appearing throughout the country. Authorities report that illicit narcotics, primarily heroin, are smuggled from Central Asia and Afghanistan, through Russia to Western Europe.

Moldova's limited border controls and lack of law enforcement resources make the country increasingly vulnerable to international crime groups seeking new bases, according to Moldovan officials. Cultivation of hemp and opium poppy remains primarily under the control of gypsies. Nevertheless, in 1994 the GOM identified Central Asian drug groups traveling to Moldova to organize opium and cannabis cultivation.

In 1995, Moldova recorded 1,409 persons registered as drug addicts.

### **III. Country Action Against Drugs in 1995**

The GOM is increasing efforts to counter growing drug activity, but has not yet developed a national counterdrug strategy. The GOM presented draft legislation on drug use to the Parliament which is expected to be adopted in 1996. Under the direction of President Snegur the judicial institutions were reformed and a "state national council" comprised of all ministries involved in drug control was established to coordinate counternarcotics efforts. Moreover, in their largest seizure ever, Moldovan police interdicted 120 kilograms of opium. The GOM also manually eradicated opium poppy and hemp fields and claims to have seized over two tons of illegal narcotics crops. The GOM continues cooperation with its neighbors.

**Corruption.** The USG is not aware of any narcotics related corruption in the Government of Moldova. Although there were several instances of successful prosecutions of government officials for corruption in 1995, there were no instances of such prosecutions involving narcotics.

**Agreements and Treaties.** The GOM is a party to the 1961 UN Single Convention on Narcotics and its 1972 protocol; the 1971 UN Convention on Psychotropic Substances; and the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Moldova is a member of INTERPOL. There is no extradition treaty, nor a mutual legal assistance treaty.

**Cultivation.** Opium poppy and cannabis, in the form of hemp, are cultivated in Moldova. Hemp production dates to the era of Peter the Great, when hemp was introduced for rope production. Gypsy organizations, centered in the city of Soroca, operate most of the hemp production. Psychotropic substances such as ephedrine and pervitin are also produced locally.

#### **IV U.S. Policy Objectives**

**Policy Initiatives and Bilateral Cooperation.** In 1995 the USG encouraged the GOM to identify existing problems and possible areas for assistance and cooperation. Moreover, the USG is promoting antidrug assistance for Moldova from those nations, primarily in Western Europe, most directly affected by heroin smuggling through Moldova.

**The Road Ahead.** Over the next year, the USG will continue to encourage Moldova to implement the 1988 UN Convention, expand drug control activities, and establish the necessary legislative and institutional antidrug capabilities to implement the three UN drug conventions.

## THE NETHERLANDS

### I. Summary

Drug traffickers and money launderers seek to exploit the geography of the Netherlands and its highly developed transportation and financial infrastructure. The Netherlands is a key transit point for cocaine and heroin headed for Europe. As a major center for the international chemical industry, it attracts people trying to produce precursor chemicals for "synthetic" drugs. The Netherlands is also a major producing and exporting site for amphetamines and "synthetic" drugs, like ecstasy, destined for the European market. The Dutch government has made combatting international trafficking a priority, implemented legislation to counter money laundering, and acts against illicit chemical plants.

Although illicit drugs remain illegal, the 1974 Dutch Public Prosecutors' decision not to prosecute cases involving under 30 grams of cannabis gave rise to "coffeehouses" selling cannabis for personal use. The Netherlands has an active demand reduction program which puts authorities in touch with about 75% of its 25,000 "hard" drug addicts. The number of addicts remains stable and the average addict age is rising.

### II. Status of Country

With its location, extensive transportation and the world's largest automated container port facilities, the Netherlands is an entrepot for the European narcotics market, while the country's financial infrastructure offers opportunities for money laundering. The Dutch Opium Act of 1919, amended in 1928 and 1976, governs Dutch policy on narcotics. The law distinguishes between "hard" drugs, which have "unacceptable risks" (cocaine, opiates etc.), and "soft" drugs (cannabis products), and penalizes their use accordingly. The law imposes penalties for the possession, sale, transport, trafficking and manufacture of all drugs listed in the Opium Act, except for medical or scientific purposes. Drug consumption, per se, is not prohibited. Dutch law permits authorities to treat drug use as a health problem and to divide responsibility for implementing and enforcing the Opium Act between the Health and Justice Ministries.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In September 1995, the Government of the Netherlands (GON) published a white paper on Dutch drug policy, which the Dutch Parliament will review in March 1996. The white paper, a discussion paper, did not introduce new legislation or major changes to existing policy and dismissed any consideration of legalizing "hard" or "soft" drugs. The white paper called for tougher measures to fight international drug trafficking and the criminal organizations which sustain it, including so-called drug "tourists". The paper proposed steps to reduce drug-related crime and public nuisance. The paper prioritized the prosecution of large-scale producers of cannabis, advocated reducing from 30 to 5 grams the amount of cannabis products that may be purchased in "coffeehouses" without prosecution

(although an individual may still possess up to 30 grams without facing prosecution), and recommended halving the number of operating "coffeeshops". In addition, the paper proposed a small-scale experiment permitting the prescription of heroin under tight medical control to a small group of "hopelessly" addicted persons. Finally, the paper recommended increasing the number of drug-free prison cells - from 300 to 620 in 1997 - and expanding programs which enable criminal addicts to choose between treatment or imprisonment. A special addiction clinic for about 70 criminal addicts will open in Rotterdam as a pilot project. Experiments will also start with "work camps" for criminal addicts to facilitate their social re-integration.

During 1995, the Netherlands stepped up its criminal investigation efforts against international trafficking and against Dutch nationals who produce and export cannabis, amphetamines and ecstasy. A national investigations unit was established with special responsibility for assisting foreign investigations. One of the five central police teams created to fight organized crime is focused on the production and trafficking of synthetic drugs.

In 1995, the Netherlands completed long term counter-narcotics projects in Colombia and Bolivia.

In January 1996, the Kingdom of the Netherlands established a Coast Guard presence in the semi-autonomous countries of the Netherlands Antilles and Aruba. This initiative is expected to contribute substantially to international efforts against narcotics trafficking in the Caribbean.

**Accomplishments.** The Netherlands has enacted legislation on money laundering and controls on chemical precursors. Money laundering is illegal; this applies to illicit money generated from drug trafficking, fraud, and all other sources. In line with Financial Action Task Force (FATF) recommendations, Dutch financial institutions are required to report unusual transactions which meet criteria specified in published guidelines to a new Disclosure Office (MOT) which will analyze the information and, if necessary, refer the case to the police. The Act on the Prevention of Misuse of Chemicals became fully operative July 1, 1995. This Act regulates the production of, and trade in, precursor chemicals and meets Dutch commitments under the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and under 1990 EU regulations. Violations of the law can lead to prison sentences, fines, or asset seizures.

**Agreements and Treaties.** The Netherlands is a party to both the 1988 UN Convention and the 1990 Strasbourg Convention on Money Laundering and Confiscation. Measures to counter money laundering are being extended throughout the Kingdom to include the Netherlands Antilles and Aruba. In December 1995, the Council of Ministers of the Kingdom of the Netherlands decided to make extradition of nationals possible across the whole Kingdom, including Aruba and the Netherlands Antilles, although implementing legislation to allow extradition of nationals in Aruba and the Antilles is not expected to become effective until June 1996. The governments of the United States and the Netherlands have agreements on Extradition, Mutual Legal

Assistance, and Asset Confiscation and Sharing. The Netherlands is actively implementing the Schengen agreement, the BENELUX Agreement on Extradition, and the European Convention on Extradition and Mutual Assistance. The Netherlands is a major donor of the United Nations Drug Control Program (UNDCP) and participates in the Dublin Group, the United Nations Commission on Narcotic Drugs, the Financial Action Task Force, and the Caribbean Financial Action Task Force. According to UNDCP, the Netherlands pledged approximately \$433,000 in FY95 contributions to UNDCP.

**Cultivation/Production.** Dutch grown cannabis has become increasingly popular. To prevent the Netherlands from becoming a production and export center for soft drugs, the GON has tightened its procedures for investigating and prosecuting those engaged in large-scale production of cannabis. The Netherlands has become a significant producer and exporter of amphetamines and ecstasy, mainly for the European market. In 1994, 11 ecstasy laboratories were dismantled, including one with a daily capacity of a half million pills. Incomplete figures for 1995 show that 15 laboratories have been closed.

**Drug Flow/Transit.** Seizure records indicate a greater success intercepting container shipments in ports than in seizing narcotics shipped across borders over a network of highways and secondary roads. Most heroin seized in the Netherlands (106 kilos in the first ten months of 1995) comes from Southwest Asia and is shipped by truck. Heroin trafficking is reputed to be mainly in the hands of Turkish criminal organizations; the involvement of Chinese groups has allegedly diminished. Central and Eastern European countries are playing an increasing role in the storage and distribution of heroin. The Netherlands is also a destination and transit point for cocaine arriving by ship via Colombia, Venezuela, the Netherlands Antilles, and Aruba, and increasingly, from Central and Eastern Europe.

**Demand Reduction.** The GON funds an active and extensive prevention and drug treatment program. Methadone is provided to a daily average of 7,000 addicts in more than 60 municipalities. Demand reduction/drug education programs, often targeted at young people, aim at both prevention and risk reduction. Due to concern about the rising popularity of ecstasy among Dutch high school students, the Netherlands is undertaking special information/prevention campaigns about the drug. The Dutch also have well-developed needle exchange programs that have kept the level of HIV infection low.

#### **IV. US Policy Initiatives and Programs.**

**Bilateral Cooperation.** The United States works closely with the Dutch in several fora, including the Dublin Group where the Netherlands serves as regional chair of the Caribbean. Most recently, the USG has been working with the Netherlands and other interested governments to develop measures to interdict the flow of drugs and money laundering in the Caribbean.

**The Road Ahead.** Dutch Prime Minister Kok was among the first leaders to express support for President Clinton's call at the United Nations for strengthening the fight against illicit drug trafficking and international crime. The United States looks forward to continued close cooperation with the Dutch in developing effective strategies to combat international narcotics trafficking and crime.

## NORWAY

### I. Summary

Narcotics production is rare, but police believe Norway is increasingly becoming a transit country for drugs from Central Europe destined for other Nordic and Western European markets. In 1995, Norway experienced a large increase in drug seizures, while narcotics prices decreased significantly. Drug use is increasing, primarily among teens.

Norway is not an important financial center, and money laundering is illegal. Enforcement by Norwegian Customs officials meets the requirements of the chemical control provisions of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

### II. Status of Country

According to police statistics, seizures of heroin, amphetamines, cocaine, ecstasy, and cannabis increased dramatically (both in number and size). There were more than 9,000 seizures in 1995, compared with approximately 6,000 in 1994. In 1995, Norwegian police and customs officials seized their largest quantities of drugs to date: 49 kilos of heroin; 53 kilos of amphetamines; 3.8 kilos of cocaine; 19,939 kilos of cannabis; and 11,799 ecstasy tablets. During 1995, arrests increased, the price of heroin went down, demand for drugs increased, drug-related deaths rose, and couriers took bigger risks. National reports from schools showed an alarming rise of drug abuse among students. The greatest increase in drug abuse occurred among teens (ages 16-20), where there is growing acceptance of drug use. The rising popularity of designer drugs such as ecstasy, hashish, amphetamines, LSD, and cocaine concern Norwegian officials. Though the media seems to blame increasing drug flows on immigrant traffickers, the Oslo police believe that statistics do not completely support this view.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Government of Norway (GON) gives a high priority to the fight against illegal drugs. Opposition parties in Parliament recently won their fight to add another NOK 10 million (USD 1.5 million) specifically for narcotics control. This will strengthen existing drug control programs in the Customs and Excise Department, the Justice and Police Department, and the Health and Social Affairs Department. The National Bureau for Crime Investigation was recently mandated to collect nationwide criminal intelligence related to illicit drugs.

**Agreements and Treaties.** Norway is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and complies fully with its objectives. Norway is also a party to the 1961 Single Convention, as amended in 1972, and the 1971 Convention on Psychotropic Substances. Norway has bilateral Customs Agreements with the United States, Sweden, Denmark, Finland, Iceland, Germany, the Netherlands, Spain, and Russia. Norway also has a Customs Agreement

with the EU and posts customs liaison officers in London, Madrid, Islamabad, and Karachi. Norway is a member of the Dublin Group; the "Pompidou Group", which it has chaired since 1991; INTERPOL; the Nordic Police and Customs Initiative (PTN); and the Nordic Coordinating Council on Drug Abuse. According to the UN Drug Control Program (UNDCP), Norway pledged approximately \$1.36 million in FY95 contributions to the UNDCP. Norway is also part of the joint effort, with Sweden, Finland and Denmark, to train Baltic police officers in narcotics work.

**Law Enforcement Efforts.** The Chief of Police for Narcotics recently stated that about 70% of the 220 persons held in custody for serious narcotics crimes are foreigners directly linked to organized crime rings. He further indicated that persons from Central Europe (especially the Former Yugoslavia) are increasingly dominating the narcotics market, especially heroin. He also said Chinese triads are established in Norway.

**Corruption.** Official corruption is rare, and punishable under Norwegian law.

**Cultivation/Production.** The United States Government (USG) is unaware of any cultivation of illicit drugs in Norway.

**Drug flow/Transit.** Though narcotics are rarely produced in Norway, authorities have witnessed an increase in drugs transiting Norway via the Balkan route. The route has changed as a result of the conflict in the Former Yugoslavia. Instead of using the Near East route via Greece-Yugoslavia-Germany-Scandinavia, traffickers bring drugs into Scandinavia by air and water from the Near East via Turkey, the Czech Republic, Slovakia, Poland and Germany. Authorities note the drug business is becoming more dangerous to all concerned. Increasingly, recipients in Oslo pick up narcotics, kill the courier, and dump the body in a remote place outside of town. Drug-related violence often threatens police and their families.

**Demand Reduction.** Although the narcotics division of the Norwegian Police regularly seeks more funds and "weapons" such as broader use of wiretaps, the GON uses most of its resources on treatment instead of prevention or enforcement efforts to control the distribution of illicit drugs. Some observers are concerned that Norway may be swayed by policy decisions in West European countries to legalize possession and use of light drugs. Under its drug control program, the GON distributes clean needles to users, but this does not appear to be a weakening of the government's policy of banning the use of illegal drugs. Norway's policy concerning education on narcotics for police, parents, and children needs major improvement if it is to be effective.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Norwegian counter-narcotics authorities cooperate regularly with their US counterparts. In 1995, the United States had no counter-narcotics programs in Norway.

**The Road Ahead.** The USG seeks to build on already good counter-narcotics law enforcement cooperation with the GON and to increase cooperation between the two governments in international narcotics fora. The USG will encourage Norway to continue its support of drug control projects in the Baltic countries.

## POLAND

### I. Summary

In 1995, Poland emerged as a major producer of illicit amphetamines, and a significant transit point for cocaine, heroin, and multi-ton shipments of cannabis destined for the Western European market. Narcotics-related crime is on the rise and criminal gangs are increasingly well-entrenched in Poland. Domestic poppy straw compote is the most widely used drug in Poland, but amphetamine use is also on the rise. The Government of Poland (GOP) has made significant progress towards developing a comprehensive antidrug strategy, including the adoption of new legislation with provisions for undercover operations. Such provisions led, in 1995, to the dismantling of a major illicit amphetamine operation. Despite overall resource problems, police and prosecutors are rapidly expanding counterdrug activities and special anti-organized crime units now operate at the national and regional level. Poland is a party to the 1988 UN Convention. However, to facilitate compliance with the Convention, the criminal code still requires substantial reform. Possession of drugs remains legal in Poland, but the Parliament is currently reviewing legislation which will criminalize possession.

### II. Status of Country

The large number of arrests and seizures in 1995 underscores Poland's role as a crossroads for illicit drug smuggling. The Cali cartel is stepping up efforts to target Poland both by sea and air. Heroin traffickers, including those from Nigeria, Turkey, India and Pakistan, are also attempting to use routes through Poland as an alternative to the Balkan route to reach West European drug markets. Ethnic Chinese crime gangs are also establishing themselves in Poland, and Polish nationals are increasingly attracted to the drug trade.

Many European law enforcement officials believe that Poland is now the largest producer of illicit amphetamines in Europe and that 20 percent of the amphetamines sold in Western Europe come from Poland. The post-communist era of low pay and a shrinking state research budget, offer the drug industry a pool of highly-skilled chemists who are often willing to supplement their incomes in illicit laboratories.

Domestically produced drugs are also a problem in Poland. The most common of these is compote which is produced from homegrown opium poppy that is often diverted from licit poppy fields. The Ministry of Agriculture issues licenses for cultivation, but requires farmers to sell the opium to the government. The farmers are allowed to keep the seeds to sell for culinary purposes. Often, however, some of the opium is diverted for illicit purposes.

Following the dismantling by the Polish National Police (PNP) in 1994 of a large-scale marijuana farm run by a West European drug gang, marijuana cultivation has declined.

The Ministry of Health estimates that there are 40,000 drug users in Poland, but independent experts say there may be as many as 100,000 addicts in Poland, and casual users are estimated at 200,000. The most



prevalent drug used in Poland is poppy straw compote, but amphetamines are also becoming popular. A third of all intravenous drug addicts are HIV-positive, and intravenous drug use is the leading cause of AIDS in Poland.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** The GOP has taken some significant steps towards developing an effective counterdrug strategy, although much more needs to be done to thwart the drug traffickers efforts to target Poland. The adoption of counter-crime legislation with provisions for wiretaps and controlled deliveries, has already begun to yield some interdiction successes for the GOP. In June 1995, the Cabinet also approved legislation to criminalize possession of drugs, but the bill is still pending in the Parliament. Legislation enacted in 1994 to combat white-collar crime included provisions that make money laundering illegal. These provisions include only a very limited definition of money laundering, however. The GOP is also developing legislation which will establish a chemical control regime to conform with the regulations of the European Union. An inter-ministerial task force that includes 100 members is currently drafting the GOP's national drug strategy and will develop additional legislation required to comply with the 1988 UN Convention.

To increase law enforcement efforts, the PNP has expanded and strengthened the national organized crime division created in 1994. Most major cities also have their own organized crime squad and the Ministry of Justice has created analogous units in the Prosecutor General's office and in a dozen major cities. The GOP also has plans to establish a National Drug Intelligence Center (NDIC) to coordinate all law enforcement activities and disseminate counterdrug information.

Increased resources and new laws have begun to pay significant dividends for the PNP and the border guards. Following a two year investigation, Polish police dismantled one of the largest amphetamine production facilities, seized two kilograms of pure amphetamine, 40 liters of precursors and tons of other chemicals. The laboratory is estimated to have produced more than a ton of amphetamines. Other record seizures include two tons of marijuana discovered by Polish border guards (SG) in a shipment of ginger from the Netherlands, nine tons of hashish hidden on a Polish fishing boat in Swinoujscie, and 219 kilograms of cocaine from a Greek ship in Gdansk. International cooperation has also resulted in increased seizures. Polish and Scandinavian authorities seized a shipment of over 18 tons of marijuana in Norway that was destined for Poland. Despite these successes, however, GOP authorities note that many of their operations are hampered by the current legislation which allows for possession of all drugs.

**Cultivation and Production.** There are no reliable estimates on the extent of opium poppy cultivation, but the PNP reports increased eradication efforts. After significant successes in eradicating marijuana in 1994, cultivation of that crop seems to be down, but there are no official estimates of the extent of marijuana cultivation in Poland.

**Corruption.** Although there have been press allegations of corruption in the Customs Service, the USG is unaware of any reports of official narcotics-related corruption in Poland.

**Agreements and Treaties.** The GOP is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances.

The United States and Poland have an extradition treaty dating back to 1929 (supplemented in 1936). The extradition treaty was renegotiated in 1995, but is still awaiting signature and ratification by both parties. An "Arrangement for the Direct Exchange of Certain Information Regarding the Traffic in Narcotic Drugs," which dates back to August 17, 1931 is also in force. Negotiations began in 1995 and are ongoing for a treaty on mutual legal assistance in criminal matters and for a Letter of Agreement on narcotics assistance.

**Domestic Programs.** Although demand reduction programs are understaffed, resources limited, and possession of all drugs remains legal, the GOP is expanding its demand reduction programs. GOP programs include community outreach programs involving 10,000 secondary and post-secondary youths; complementary programs for adults involving 10,000 parents, teachers and social workers; and peer support groups reaching about 7,500 adults. The Ministry of Health is also expanding its rehabilitation programs and is now beginning to work through non-governmental organizations (ngo).

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG is continuing to promote increased GOP attention to the drug problem. Against this backdrop, the USG increased cooperation with Poland's antidrug agencies in 1995 and provided significant law enforcement, customs, and other assistance to the Polish law enforcement community. Additionally, the USG financed GOP participation in a regional demand reduction program.

**The Road Ahead.** With the new extradition treaty and the mutual legal assistance treaty expected to be signed soon, the United States and Poland will have a strong legal basis for bilateral cooperation on law enforcement issues. The USG plans to continue funding law enforcement and demand reduction training courses for Polish participants. The USG will also encourage antidrug cooperation by those nations, primarily in Western Europe, most directly effected by drug smuggling through Poland. Support from the United Nations Drug Control Program (UNDCP) to assist Poland's customs and police is also key to the GOP antidrug effort.

## PORTUGAL

### I. Summary

Portugal neither cultivates nor produces cocaine or heroin, but it is an important and growing link in the transshipment of these drugs into Europe and North America from South America and the Near East. Portugal's long and desolate coastline, seldom-patrolled waters around the Azorean Islands, and lack of adequate police and intelligence resources invite narcotics traffickers. No evidence exists to indicate that Portugal hosts the diversion of precursor chemicals to illicit drug production. Strengthened drug law enforcement has led to increased seizures of drugs in transit.

### II. Status of Country

In 1995, Portuguese authorities arrested an increasing number of drug smugglers. The Portuguese Judicial Police is forming a drug intelligence group composed of all Portuguese police and military units charged with drug investigations to improve coordination and performance in narcotics control matters. The Government of Portugal (GOP) does not maintain statistics on illicit drug use, but authorities believe use may have stabilized at about 50,000, mainly heroin, addicts. Stronger laws have led to an increase in the number of money laundering investigations.

### II. Country Actions Against Drugs in 1995

**Law Enforcement Efforts.** Portugal's Judicial Police, the coordinating and lead agency in narcotics investigations, maintains close ties with most European Union narcotics forces and with US narcotics enforcement agencies. The Judicial Police has assigned to specific officials the responsibility of working directly with the US Drug Enforcement Administration (DEA) office in Lisbon and with other US government agencies. Judicial Police statistics show that 1.898 metric tons of cocaine seized in the first nine months of 1995, up from 1.647 metric tons in 1994; .041 metric tons of heroin seized, compared to .076 metric tons in 1994; and 6.203 metric tons of cannabis (including hashish), up dramatically from .013 metric tons in 1994.

**Agreements and Treaties.** Portugal is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and continues to support the Convention's goals and objectives. Portugal's 1908 Extradition Treaty with the United States is outdated; it does not cover such 'modern' offenses as money laundering and financial crimes.

**Corruption.** Authorities have reported no cases of corruption among Portuguese officials responsible for counter-narcotics efforts. Portugal has appropriate legislation to control public corruption and punish offenders.

**Drug Flow/Transit.** Narcotics traffickers exploit Portugal's extensive, minimally-patrolled coastlines and lack of adequate police and intelligence resources. Heroin transits Portugal from the Orient via Eastern Europe and the Baltics. Cocaine transits Portugal from Brazil and Argentina in increasing amounts. No opium poppies are known to be grown in Portugal, nor is there any production of cocaine or heroin products. No precursor chemicals are known to be diverted to illicit drug use.

**Demand Reduction.** Demand reduction has consisted mainly of a few state-run treatment centers and a small educational program. In 1995, the Portuguese government liberalized the law to allow private treatment centers to operate. Many new centers have opened, but it remains unclear to what extent government regulations and standards will apply. Although the volume of heroin use may have stabilized, the GOP is concerned about the possibility of increased abuse of other illicit drugs, including cocaine.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** In 1995, the United States provided counter-narcotics training to Portugal's Judicial Police. Strong cooperative efforts by the Portuguese and US enforcement authorities resulted in two large cocaine seizures totaling over 1,500 kg.

**The Road Ahead.** The newly elected Portuguese Government has stated that combatting narcotics trafficking will continue to be an area of prime importance. The United States looks forward to continued close cooperation with Portugal on all counter-narcotics fronts.

## ROMANIA

### I. Summary.

Illicit drug traffickers are continuing to use Romania as a significant transshipment point for smuggling heroin and cannabis products to Western Europe. However, Romanian authorities report that illicit drugs transshipped through Romania declined markedly in 1995. Romanian authorities maintain that the decreased volume of drugs seized and a declining number of arrests indicate an improved situation in Romania. The continuation of the war in the former Yugoslavia and an increase in Western travelers (both business and tourist) contributed to the expansion of drug trafficking noted in 1995. Moreover, Government of Romania (GOR) authorities suggest that stepped-up enforcement efforts by Romanian police and security services may be reducing trafficking through Romania. Interpol statistics show large seizures of heroin and hashish in countries along the Balkan Route to the north and south of Romania, which suggests that seizures made in Romania may not reflect the actual level of trafficking through the country. Efforts to increase interdiction remain hampered by a lack of resources, potential corruption, disorganization, and relatively light penalties for drug trafficking convictions. Romania is a party to the 1988 UN Convention.

### II. Status of Country.

Romania's location, corruption within the police and security services, liberal visa policies, and traditional ties to Middle Eastern countries make it a prime candidate for illicit drug transit. Drug traffickers unable to move shipments easily through the war zone of former Yugoslavia have turned to routes through Romania. Concern for the presence of "racketeers" from Russia and countries of the former Soviet Union has also sparked increased efforts to investigate potential money laundering in Romania. These efforts have netted some small seizures, but with few arrests of major narcotics traffickers or racketeering "king pins."

### III. Country Actions Against Drugs in 1995.

Romania reported no new policy initiatives in 1995, although the GOR is beginning to implement several initiatives begun in 1993 and 1994. The GOR has declared an intent to deepen its international cooperation in combating illegal drugs and is drafting new laws to target drug trafficking, to control precursor and essential chemicals and to make money laundering a crime.

The number of drug arrests appears to be down slightly from last year (25 in 1995 and 33 in 1994). All of these arrests concerned relatively small amounts found in hand luggage, in concealed compartments on Transport International Routier (TIR) trucks, in personal automobiles, and on individuals. The total amounts of opium, heroin, cocaine, and hashish seized are insignificant compared to previous seizures. For the first time, statistics reflect the seizure of amphetamines and psychedelic drugs.

**Corruption.** Romania has yet to take effective action against official corruption which is considered to be a serious problem; however, the U.S. Government is not aware of any reports of official narcotics-related corruption in 1995.

A relatively simple banking system and the devaluation of Romanian currency have prevented large-scale drug money laundering in Romania. The GOR does not have asset seizure legislation or legislation to establish a chemical control monitoring regime.

**Agreements and Treaties.** Romanian authorities are cooperating with the United States and other Western countries in upholding extradition agreements and on other legal and consular matters involving the arrest of US citizens for narcotics trafficking. Romania is a signatory to the 1961 Single Convention on Drugs as amended by the 1972 Protocol and also has acceded to the 1971 UN Convention on Psychotropic Substances. Romania has ratified the 1988 UN Convention, but has not fully implemented necessary enforcement statutes.

**Cultivation/Production.** Cultivation is limited to licit opium poppy for Romania's pharmaceutical needs. Local drug use is rare, but opium poppy and cannabis are grown in small quantities for culinary and household use. There have been no reports of illicit drug processing inside Romania.

**Domestic Programs.** There are no reliable estimates of addiction levels and there are no treatment/demand reduction programs or facilities in either the public or private sector. Per capita income is low and most Romanians cannot afford to purchase illicit drugs.

#### **IV. U.S. Policy Initiatives and Programs.**

**Policy Initiatives and Bilateral Cooperation.** The U.S. Government continues to promote increased GOR attention to the drug problem and will encourage anti-drug cooperation with those nations, primarily in Western Europe, most directly affected by heroin smuggling through Romania. The U.S. Government is also encouraging support from the United Nations Drug Control Program (UNDCP) to assist Romania's customs and police with detection equipment and training.

The United States Government continued to provide modest Department of State funded assistance through the U.S. Drug Enforcement Administration (DEA) and the U.S. Customs Service for Romanian law enforcement and customs officials. The U.S. Government will continue to encourage the GOR to expand its drug control activities and to establish the necessary legislative and institutional capabilities needed to meet its commitments under the 1988 UN Convention.

In addition, the U.S. Government will urge the GOR to give more attention to creating a cadre of professional law enforcement officials to target drug problems, and will continue to provide limited law enforcement and demand reduction training and equipment to assist Romania's anti-drug efforts.

**The Road Ahead.** Much remains to be done in encouraging Romania to fulfill the goals and objectives of the UN Conventions to which it is now a party. The United States will continue to assist Romania in developing a strong drug control program.

## RUSSIA

### I. Summary

Accelerating drug trafficking, production, and abuse in Russia were accompanied by increased crime in 1995. Russian law enforcement authorities report that more than 90 tons of illicit drugs were seized and health authorities estimate that drug use increased fifty percent in 1995. With drug authorities noting a tripling of illicit drug seizures -- primarily opium poppy straw and cannabis -- in the last three years, drug-related crime shows no sign of abating. The largest drug threat to the domestic market continues to be from domestic and Ukrainian opium poppy straw. Open borders and the absence of effective border and customs controls offer opportunities to opiate smugglers seeking to move their cargoes from Southwest Asia to Western markets. Moreover, South American cocaine and African marijuana traffickers are increasing efforts to target Russia as a conduit for smuggling drugs to Western Europe and the United States.

The enormous wealth associated with the drug trade is attracting domestic organized crime elements. Such groups are now involved in all aspects of the drug industry, including cultivation, production, distribution, and money laundering operations. Law enforcement authorities believe that these groups, which once numbered over 200, are seeking to consolidate their power. According to law enforcement officials, these groups are now more easily exploiting the open access to the West, and the lack of regulations in the banking, financial, and commercial sectors.

Concern about the escalating drug problems prompted the Government of Russia (GOR) to develop an antidrug strategy. This new strategy includes a three-year program with increased financing for a broad base of law enforcement and health programs. The GOR is also making modest gains in bolstering law enforcement activities, but resource constraints and the increased assets and sophistication of the drug industry in Russia place clear limits on progress. Russia is a party to the 1988 UN Convention.

### II. Status of Country

Russia has emerged as a key drug market, a conduit for smuggling illicit drugs to Western markets, and a producer of illicit amphetamines and opium poppy. The break-up of the Soviet Union and the continuing transition to a market economy are making Russia more vulnerable to organized and financial crimes, including those involving narcotics. Russian authorities claim that drug use is now accelerating at a fifty percent increase per year and there are now over 2 million drug users in Russia. Although poppy straw extract, cannabis and heroin are the most widely used drugs, officials are also noting an emergence of cocaine use among elite youth.

Russia is increasingly a crossroads for illicit drug operations. Law enforcement officials report over 90 tons of hashish, opium, heroin, and cocaine seized in Russia in 1995, up from 35 tons in 1993. Drug cargoes of hashish and opium are primarily smuggled from China and Southwest Asia through Central Asia to Russia for domestic and Western markets.

While amounts of heroin seized were small, Russian officials believe that about one half a ton of heroin transited Russia in 1995. Russian authorities also note that the seizure of one ton of cocaine in St. Petersburg two years ago, followed by continued small seizures, revealed that Colombian groups view Russia as a fertile territory.

Law enforcement authorities believe that Russian criminal groups control most of the trafficking and distribution in Russia. Most appear to operate locally, but many of the small criminal gangs located in the Central Asia, Transcaucasus states, and Ukraine have formed links with Russian distributors in key Russian cities.

According to Russian authorities, domestic cultivation of opium poppy increased and production of psychotropic drugs became more widespread in Russia in 1995. Although the extent of such production is not known, authorities underscore that the privatization of chemical laboratories may have led to use of such facilities for illicit uses.

Russia's well-developed chemical industry is also vulnerable to illicit drug operations. The industry exports small quantities of precursor and essential chemicals, primarily acetic anhydride, to industries in Eastern Europe and Finland. Some authorities believe that the recent shipment of 23 tons of acetic anhydride, which was seized from a drug group operating in Turkmenistan, underscores that chemical shipments are already being diverted to the illicit drug industry.

Money laundering is also an increasingly serious problem in Russia, and the lack of regulatory controls or legislation inhibits government efforts to target drug money laundering operations. Russian officials speculate that criminals have taken control of some banks and are laundering proceeds from a wide variety of criminal activities, including drugs. Some experts estimate that 25 percent of Moscow's commercial banks are controlled by organized crime. There is speculation that the Colombian Cali cocaine traffickers and Sicilian mafia may be using Russian banks to launder funds.

Russian health authorities report that the number of new drug addicts being treated in Russian clinics rose by 50 percent in 1995. These authorities estimate that the total number of addicts, ninety percent of whom remain untreated, approaches 500,000. They also claim that the number of regular users of illegal drugs has increased at a similar rate, and now exceeds two million for the country.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Concern over narcotics problems has prompted Moscow to increase its antidrug efforts and pursue increased counternarcotics cooperation. The interministerial committee, first established in 1994 and chaired by a deputy prime minister, met six times in 1995 to coordinate counternarcotics policy. In June 1995, the GOR approved a new three-year antidrug program which focuses on interdiction and provides financing for law enforcement and health institutions. If enacted, new counterdrug legislation introduced by the government in 1995, not yet adopted by the State Duma or Federation Council, will criminalize drug use and establish a monitoring regime for pharmaceuticals as required by the UN conventions. The GOR has also drafted anti-money laundering legislation, but it has not yet been adopted.



As a result of the new counterdrug program, the Ministry of Internal Affairs (MVD) increased the number of full-time drug control officials from 3,500 to 4,000, the State Customs Committee created an additional 50 field offices and increased the number of drug control officials by 350, and the Federal Border Service created a special antidrug force.

**Cultivation and Production.** Despite the GOR's continuation of the USSR's ban on opium poppy and cannabis cultivation, Russian authorities assert that opium cultivation is on the rise and that over one million hectares of cannabis continues to grow wild in Siberia. No official statistics on opium cultivation exist.

**Corruption.** President Yeltsin issued a decree in November 1992 aimed at battling corruption and since then has taken a number of steps against government corruption. However, a draft law on corruption passed by the Duma in late 1995, was rejected by the Federation Council. While the USG has no reports of high-level government officials involved in the drug trade in 1995, it is believed by many that most political parties, either knowingly or unknowingly, receive financial support from organized criminal groups, some of which are believed to be engaged in narcotics trafficking. Both the Federal Security Service (FSB) and the MVD began major investigations to uncover corruption within the Russian government. In late 1995, Interior Minister Kulikov's "clean hands" campaign resulted in the firing or demotion of over forty senior officers in the MVD.

**Domestic programs.** The Moscow City Council continues to support several school-based drug prevention programs, and a number of non-governmental organizations are now sponsoring demand reduction programs throughout Russia. Most demand reduction, prevention, treatment, and public awareness programs in Russia are extremely limited.

**Agreements and Treaties.** Russia is a party to the 1988 UN Convention, the 1961 UN Single Convention on Narcotic Drugs unamended, and the 1971 UN Convention on Psychotropic Substances. Russia also took steps in 1995 to become party to the 1972 amendment to the 1961 convention.

A Memorandum of Understanding on counternarcotics cooperation, signed between the United States and the Soviet Union in 1989, remains in force following Russia's accession to the agreement in 1992. The United States and Russia negotiated and signed a Mutual legal assistance agreement in 1995. The agreement entered into force in February 1996 and is the first step toward a Mutual Legal Assistance Treaty.

The Federal Border Service concluded a Memorandum of Understanding with the U.S. Coast Guard in 1995 which included agreement to interdict drugs on the high seas. The Border Service also concluded a trilateral agreement, in 1995, with Kyrgyzstan and Tajikistan.

A Customs Union between Russia, Kazakstan, and Belarus was established in 1995.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG focused on identifying existing problems, possible areas for assistance, and encouraging the GOR to implement fully the UN drug conventions. During the year, the USG also encouraged those nations in Western Europe most directly affected by drug smuggling through Russia to take a more active role in assisting the GOR's counternarcotics efforts.

In support of these objectives, the USG launched a major assistance program to train Russian law enforcement and procuracy personnel, with an emphasis on international organized crime, narcotics trafficking, and financial crimes, including money laundering. With FREEDOM Support Act funds, over 40 law enforcement courses were offered to approximately 1,000 law enforcement personnel. The law enforcement courses included regional drug training, train-the-trainer, and airport interdiction courses for the Russian MVD and State Customs Committee. Additionally, over 900 prosecutors, judges, and law students were trained in the related areas of organized crime, corruption, money laundering, and economic and financial crime. The Russian government and legislature were also given expert advice on the anti-crime and counternarcotics legislation that was under review in 1995.

**The Road Ahead.** The USG will continue to encourage Russia to expand its drug control activities and to establish legislative and institutional antidrug capabilities, particularly those required under the 1988 UN Convention.

The USG plans to provide training and other assistance in support of these goals in 1996. Specific initiatives include a program to assist the Central Bank to target money laundering operations and fraud; currency and export control; customs courses; and courses in regional drug training, airport interdiction, and forensic chemistry; and demand reduction assistance.

## THE SLOVAK REPUBLIC

### I. Summary

During 1995, drug trafficking and use, particularly of heroin continued to escalate. The Slovak Republic remains a key transshipment point on the "Balkan route" from Turkey to Western Europe. Police also believe that a seizure of cocaine revealed a new effort by South American cocaine traffickers to target the Slovak Republic as a conduit for cocaine smuggling to Western Europe. The Government of the Slovak Republic (GOSR) is increasing efforts to form an effective antidrug strategy, including the creation of a National Drug Service and developing legislation to implement the UN drug conventions. Such efforts, however, continue to be hampered by a lack of resources and experience. As a successor state to the Czech and Slovak Federal Republic, the Slovak Republic is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

### II. Status of Country

Drug interests are continuing to target the Slovak Republic as a key conduit for smuggling Southwest Asian heroin to Western Europe. The Slovak Republic's position and loose border controls leave it wide open to the Turkish heroin networks and other drug groups that have smuggling operations in the region. This trend was underscored when a Turkish truck destined for Germany was seized by Slovakian authorities with a record load of over 200 kilograms of heroin. According to the Central Drugs Service report and Western law enforcement authorities, opiates from Central Asia are smuggled via Ukraine to Slovakia.

Although seizures of cocaine have been minimal, police believe that the Slovak Republic may emerge as a crossroads for cocaine traffickers seeking new routes to Western Europe. One such cocaine seizure in 1995, revealed efforts by Colombian drug traffickers. Moreover, Colombian traffickers have been smuggling cocaine through the neighboring Czech Republic since 1991.

Meanwhile, Slovakian authorities have expressed concern about the vulnerability of the Slovak Republic's well-developed chemical and the pharmaceutical industry. Currently, all licit narcotics issues, including licensing of export/import controls and prescription system, are handled by one official in the Ministry of Health. Although regulations to establish a monitoring regime have been adopted, they are not effectively implemented. Privatization of the industry is offering opportunities to drug trafficking organizations seeking ownership of the means to produce illegal narcotics or precursor chemicals.

Because the banking sector is still in nascent stages, Slovak officials believe that drug money laundering operations are limited. Some officials fear, however, that money launderers may increase their use of Slovak banks which do not question large cash deposits and allow anonymous accounts.

Health authorities believe that drug abuse, particularly of heroin, may be increasing, but there are few supporting statistics. The Bratislava-West Slovakian region reported a more than ten-fold increase of heroin addicts referred to treatment in 1992-94 and other regions have reported substantial increases according to the United Nations Drug Control Program (UNDCP).

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** In 1995, the GOSR focused efforts on implementing significant policy changes adopted the previous year, including a new comprehensive antidrug plan to target drug trafficking and use and changes to the criminal code. As a result of these plans, an independent national drug service was created in November 1995.

Despite severe resource restrictions, the Slovakian police continued limited antidrug operations. The National police had two major seizures during 1995, including a 123.5 kilogram (kg) heroin seizure, and a 25 kg cocaine seizure. Police cooperation with Swiss and Norwegian authorities resulted in the arrest of several members of a major European drug smuggling organization.

Concern about possible money laundering has prompted the government to seek to bring its legislation in line with European and international norms. In addition, the GOS has begun efforts to develop asset seizure legislation.

Implementation of chemical control regulations and legislation continues to be a challenge for law enforcement authorities. However, the GOSR has outlined chemical control as a priority for 1996.

**Cultivation and Production.** In recent years, GOSR authorities reported extensive illicit amphetamine production. There were no reports of such production in 1995. There were no indications of opium poppy cultivation and only minimal cannabis cultivation in private greenhouses.

**Corruption.** In March 1995, the Slovak Interior Minister announced an anti-corruption "clean hands" program which included plans to combat corruption by amending the criminal code, and establishing a special police unit. Although rumors of corruption are widespread, there were no narcotics-related corruption cases in 1995.

**Agreements and Treaties.** As one of the successor states to the Czech and Slovak Federal Republic, the Slovak Republic is will honor all obligations and treaty commitments of the former Czech and Slovak Federal Republic, and is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs, the 1972 Protocol thereto, and the 1971 UN Convention on Psychotropic Substances. The bilateral extradition treaty between Czechoslovakia and the United States has continued in force in the Slovak Republic as a successor state.

Demand reduction was incorporated as one of the primary aspects of the national drug control policy adopted by the Slovak government in 1994. As a result during 1995, several demand reduction programs were initiated, including one directed at educating teachers and school administrators. These programs are carried out by both the Ministry of Education and the Ministry of Health, as well as by several non-governmental organizations (NGO's). By all accounts, the first training segment, which took place in October 1995, was well received by the participants, and there is enthusiastic support, both from the government and NGO's, for the remaining segments of the program.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG will promote increased GOSR attention to the drug problem. Through the UNDCP, the USG has contributed funds to strengthen the law enforcement and customs communication infrastructure to enhance surveillance and interdiction capabilities. Additionally, the USG has provided training through the U.S. Drug Enforcement Administration (DEA) and U.S. Customs. The U.S. Federal Bureau of Investigation (FBI) has also offered training to combat organized crime.

The USG will continue to encourage the Slovak Republic to focus on the drug problems, to expand drug control activities, and to establish the necessary institutional capabilities. The USG will continue to provide limited law enforcement training and equipment to assist the Government in its antidrug campaign. The USG and UNDCP are co-funding the GOSR's participation in a regional demand reduction program in Sicily. The USG also plans to continue providing prevention education training.

## SPAIN

### I. Summary

Spain is not a significant producer or cultivator of narcotics, but continues to serve as a primary transit site of South American cocaine and Moroccan hashish destined for other parts of Europe. The most notable increase in narcotics consumption in Spain involves the use of designer drugs, such as "ecstasy" (MDMA). Spanish authorities continue to work closely with their US counterparts, and in international organizations, to disrupt drug trafficking into and out of Spain.

While it produces many precursor chemicals, Spain is not a major source of chemicals diverted to illicit drug manufacture. Spanish law with respect to precursor chemicals accords with European Union (EU) directives and with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

### II. Status of Country

Consumption of hard drugs such as heroin and cocaine has increased marginally, but the popularity of "designer drugs" such as "ecstasy" has increased dramatically, particularly among Spanish youth. Increasing evidence reveals that some of the chemicals used in manufacturing "designer drugs" are either produced or procured locally in Spain. Consumption of "crack cocaine" remains negligible. While Spanish legislation treats the sale of drugs as a criminal offense, it considers possession of small amounts of drugs--particularly marijuana and hashish--a tolerable offense subject merely to fines.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Government of Spain (GOS) is increasingly aware of Spain's potential for becoming a significant money laundering center. Parliament recently revised the Spanish penal code to permit stricter surveillance and prosecution of money laundering activity. Legislation grants authorities broader legal power to use undercover agents in monitoring the financial activity of alleged drug traffickers as well as more effective tools to combat money launderers, including the freezing and forfeiture of their assets. Spain's laws comply with the EU Directive on Money Laundering.

Parliament passed legislation to permit the controlled shipment of narcotics for investigative purposes and to create a witness protection program.

The legalization of drugs was again debated in the Spanish press in 1995; a consensus view emerged from the debate that existing national drug laws should not be liberalized.

**Accomplishments.** Drug seizures increased in 1995, and Spanish law enforcement authorities focused increasingly on combating money laundering activities. The "Charlines" case, in which authorities defrocked a Galician cocaine smuggling organization, established a precedent in Spain for seizing assets of drug traffickers.

**Agreements and Treaties.** Spain is a party to the 1988 UN Convention, and has enacted special legislation regarding the control of precursor chemicals. Spain is taking the necessary legislative steps to bring its counter-narcotics and crime laws into compliance with EU directives. Spain has an Extradition Treaty and a Mutual Legal Assistance Treaty with the United States. Spanish narcotics officials participate in major multilateral narcotics organizations, including the Dublin Group and the UN Drug Control Program (UNDCP). According to UNDCP, Spain pledged approximately \$533,000 in FY95 contributions to UNDCP.

**Law Enforcement Efforts.** Only partial statistics for 1995 are available. According to these statistics, in 1995 Spanish authorities arrested 45,011 individuals for alleged narcotics-related offenses, an increase of over 13,000 from the preceding year. Spanish authorities also seized 6,999 kilos of cocaine (an increase of over 2,800 kilos in 1994), 563 kilos of heroin, 207,325 kilos of hashish, and 756,000 MDMA tablets.

**Corruption.** The United States Government (USG) has no knowledge of any senior Spanish official engaged in the production or distribution of drugs, or in the laundering of money resulting from such activities.

**Cultivation/Production:** There is no reported cultivation of illegal drugs in Spain. However, increasing instances have surfaced of local production of synthetic drugs, such as "ecstasy".

**Drug Flow/Transit.** The US Drug Enforcement Administration, (DEA) estimates that roughly 80% of the South American cocaine destined for Europe transits Spain. This estimate has remained stable for the past five years. Spain also remains a principal transit route for hashish arriving from North Africa bound for European markets.

**Demand Reduction.** The Spanish Drug Plan Office (PNSD) coordinates demand reduction efforts through its national and regional offices, and in cooperation with non-governmental organizations (NGOs); the most note-worthy NGO dedicated to demand reduction is "Project Man". Another demand reduction program is led by Queen Sofia.

In 1995, a total of 573 people died from drug overdoses, an increase of 193 over drug-related deaths in 1994.

Spain and the United States have signed a Demand Reduction Agreement. While the GOS focuses many of its anti-drug efforts on demand reduction, no activities were undertaken bilaterally under this agreement in 1995.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** The USG and the GOS enjoy excellent law enforcement cooperation. Spanish authorities have cooperated with their American counterparts to combat international narcotics traffickers that route their illicit commerce through Spanish territory. Spanish authorities, within the constraints of current laws, have provided USG authorities with valuable assistance in interdicting drug shipments into Spain and in processing investigations.

Through international exchange programs, the United States and Spain have attempted to spread awareness of the drug problem and related issues, and to facilitate direct contact between officials of both countries who work all facets of the counter-narcotics effort.

**The Road Ahead.** The United States looks forward to increased cooperation with Spain in law enforcement and demand reduction efforts, and will encourage Spain's deeper involvement in multilateral counter-narcotics fora, such as the Dublin Group. The United States will look to Spain, as a member of the EU's Troika, to help enlist European support for advancing counter-narcotics and counter-crime elements of the New Transatlantic Agenda signed by President Clinton and EU leaders in Madrid in December 1995.



## SWEDEN

### I. Summary

Sweden is not a principal site for illicit drug production or trafficking. Swedish authorities have expressed concern about the increasing amounts of amphetamines entering Sweden from Holland and Poland. The diversion of precursor and essential chemicals and money laundering activity remain relatively minor problems.

### II. Status of Country

After a failed experiment with drug liberalization in the 1960s, Sweden has pursued a very restrictive policy towards illicit drugs. Amphetamines and cannabis/hashish are the most frequently abused drugs. In 1995, amphetamine seizures surpassed cannabis/hashish seizures for the second year in a row. Smaller quantities of heroin and LSD are also used. The Government of Sweden (GOS) follows a strict counter-narcotics approach in drug control programs and the Swedish National Institute for Public Health advocates a healthy lifestyle to prevent drug abuse; it also subsidizes drug use prevention programs in the private sector. The latest GOS study, published in 1993, indicated that there were 14,000-20,000 daily drug users in Sweden in 1992 (about 2% of the total population). Swedish authorities believe this number has not changed significantly.

The GOS monitors imports and exports of all precursor and essential chemicals. The Swedish Medical Products Agency is responsible for precursor and essential chemical controls.

Money laundering is a crime under Swedish law, which requires banks and other financial institutions to identify new customers and register large currency transactions with the Swedish Central Bank. Swedish law also provides for the seizure of assets derived from drug-related activity. The Swedish police have established a "National Financial Intelligence Service" unit to enforce these laws.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Swedish police maintain a cooperative, informal relationship with authorities in many countries to control drug smuggling. Swedish customs officials train Baltic authorities in drug trafficking intelligence work. An ongoing program started in 1993 allocates USD 8.5 million over a three-year period to a project for Swedish police and customs officials to assist Baltic nations in building criminal surveillance centers.

Sweden participates in a number of international anti-drug fora, including the UN Commission on Narcotic Drugs, the UN Drug Control Program (UNDCP), and the Dublin Group. In the Spring of 1995, Sweden initiated a study on UNDCP reform. In late-1995, conclusions were published which identified a number of problems and proposed reforms. In 1996, Sweden plans to engage a number of other countries in the reform process and has set aside almost \$1 million to fund seminars and other reform-related efforts. According to UNDCP, Sweden pledged approximately \$6 million in FY95 contributions to the UNDCP, making it the second largest single donor. In 1995, Sweden also contributed about \$1 million to the UN World

Health Organization's substance abuse program. "European Cities Against Drugs," an alliance of major cities that espouses zero tolerance policies, is a growing Europe-wide movement founded in Sweden in 1994. The alliance maintains its Secretariat in Stockholm.

**Accomplishments.** With its accession to the EU on January 1, 1995, Sweden began a closer, more formal collaboration with law enforcement and judicial authorities of its EU partners. Accordingly, the GOS passed police and customs controls legislation in 1995. Swedish customs officers continue to patrol Sweden's borders with EU countries and to inspect persons and goods when they have reason. However, with EU accession, Sweden downsized its force of customs officers by 750 positions, a reduction of 25%.

In 1995, a Swedish customs official was assigned to Moscow. Swedish police and customs drug liaison officers have been resident in The Hague, Bangkok, Athens, Copenhagen, Lisbon, London, Warsaw, Tallinn, Riga, Bonn, and Budapest. Sweden has an officer with the EU's European Drugs Intelligence Unit in The Hague, an organization that many expect will become part of a future "EUROPOL." A Swedish law enforcement officer is slated to be posted to Paris in 1996.

**Agreements and Treaties.** Sweden is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and is fully meeting the Convention's goals and objectives. Sweden also is a party to the 1961 Single Convention, as amended by the 1972 Protocol, and to the 1971 Convention on Psychotropic Substances.

Sweden has bilateral Customs Agreements with the United States, Germany, the United Kingdom, The Netherlands, France, Finland, Denmark, Norway, Iceland, Spain, Poland, Russia, Estonia, and Hungary. Sweden cooperates with the United States under a 1984 Extradition Treaty. A new bilateral Customs Agreement came into force in 1995 with Lithuania. Similar agreements negotiated in 1995 with Latvia, the Czech Republic, and Slovakia are expected to be ratified and put into force in 1996.

**Law Enforcement.** Swedish law enforcement authorities are efficient and effective. In 1995, there were 11,067 individual seizures by police and customs. The drugs most often seized were amphetamines, with 4,316 seizures totaling 279 kg. The second-most commonly seized drug was cannabis/hashish, with 3853 seizures totaling 527 kg (compared to 457 kg in 1994). Swedish authorities also seized 31 kg of heroin (compared to 21 kg in 1994), and 37 kg of cocaine (compared to 29 kg in 1994).

**Corruption.** Corruption is very rare and, when discovered, is severely punished. Anti-corruption laws effectively deter public officials from engaging in the illicit production or distribution of drugs, and in the laundering of drug money.

**Cultivation/Production.** No illicit drugs are known to be cultivated or produced in significant amounts in Sweden. No amphetamine labs were seized or destroyed in 1995. Police attribute this to tight controls on precursor chemicals and to a relatively low street price for amphetamine. It is more profitable for criminals to smuggle amphetamine into Sweden than to produce it in Sweden in clandestine labs.

**Drug Flow/Transit.** Sweden is a destination point for narcotics from Poland, Denmark, Finland (from Russia) and the Baltic nations. The drugs enter the country in commercial goods, overland, by mail, by air and by ferry. Authorities are particularly concerned about the increase in illicit drug smuggling from Poland, the Baltics and Russia. The Netherlands remains the main source for amphetamines, but increasing amounts of amphetamines originate in Poland. Once in Sweden, few drugs are transported to other countries.

**Demand Reduction.** The Swedish National Institute of Public Health coordinates all drug preventive efforts. The dissemination of information on the dangers of drug abuse is compulsory in Swedish schools. Political, religious, sports, and other organizations receive government subsidies to implement information and activity programs aimed at educating youth and parents on the dangers of drug abuse. Various private organizations also are active in drug abuse prevention and public information programs.

The GOS emphasizes drug abuse prevention combined with restrictive drug policy, enforcement measures, and drug rehabilitation. For example, a program begun in early 1996 to reform a part of downtown Stockholm that had become a gathering place for addicts included, not only arrests and seizures, but also a quick link-up to social authorities for de-toxification. Under Swedish law, individuals who abuse drugs can be sentenced to drug treatment.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Swedish cooperation with United States Government (USG) law enforcement authorities continues to be excellent. In 1995, the US Drug Enforcement Administration (DEA) ran a major training program on asset forfeiture in Stockholm for police, customs officers, and prosecutors from the Nordic countries.

**The Road Ahead.** The USG looks forward to strengthening its good counter-narcotics cooperation with the GOS. The USG will encourage Sweden to continue to push for UNDCP reform and to expand its efforts, along with those of other European countries, to assist in the counter-narcotics activities of the Baltic nations and the Newly Independent States of the Former Soviet Union.

## SWITZERLAND

### I. Summary

Although not a major drug producer, Switzerland remains a transit site for narcotics bound for Europe and continues to have serious drug consumption problems. The largest open-air drug market, the notorious "needle park" in Zurich, was closed on February 14, 1995 under strong pressure from community groups upset with crime and other problems associated with the drug scene. Switzerland continues to experiment with progressive treatment programs, including prescribing heroin to hard-core addicts under strict medical control.

One of the world's leading financial centers, Switzerland has been an attractive money laundering target for cocaine, heroin, and cannabis traffickers who seek to exploit the secrecy of Swiss financial institutions. Changes in Swiss laws in 1992 and 1994, however, combined with the actions of Swiss officials, have served to make money laundering somewhat more difficult and have led to significant seizures of drug-related assets.

### II. Status of Country

The Swiss government condemns the use of narcotics. Despite some public doubt of its effectiveness, Swiss narcotics policy continues to rest on four pillars: prevention, therapy and rehabilitation, harm reduction, and law enforcement. The federal and cantonal governments expend significant resources to prevent drug abuse through informational campaigns and the training of social workers. Current anti-drug campaigns target primarily young people. Overall use of heroin and cocaine appears to be declining in Switzerland, but authorities are concerned about the rising abuse of hallucinogens - especially "ecstasy". Cantonal and local police have a substantial degree of autonomy in law enforcement and drug policy. This federal system has resulted in varying degrees of tolerance for drug use throughout Switzerland.

In 1994 Switzerland began a controversial new drug rehabilitation program, which includes the medically controlled delivery of narcotics to hard core users. The program has three main goals: stabilization of the health of addicts; improvement in their social conditions; and a reduction in criminal behavior.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** Two new drug policy initiatives are currently being debated in Switzerland. One initiative, "Youth Without Drugs", aims to restrict drug use and forbid harm reduction programs currently under experiment in Switzerland. Although none of the four governing parties supports this proposal, it does enjoy strong popular support within some communities. The Swiss people will vote on this initiative no earlier than in Autumn of 1996. The other, more liberal initiative, "Towards a Reasonable Drug Policy," consists of six elements: prevention; allowing the development of new methods of therapy; delivering narcotics to hard core users under strict medical control and providing subsistence needs; legalizing possession of small amounts of narcotics for personal use; real efforts to fight drug crimes; and a unified and coordinated drug policy. This latter proposal will not come to a vote before Fall of 1997.

**Agreements and Treaties.** Switzerland has signed but not yet ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The Swiss Federal Council has declared its intention to seek parliamentary ratification in 1997, but is currently awaiting results of national debate concerning the "Youth Without Drugs" and "Towards a Reasonable Drug Policy" initiatives. The Federal Council has also indicated it may attach two reservations to ratifying the UN Convention, which would permit a more liberal Swiss policy on the individual consumption of drugs and give Swiss courts more discretion in sentencing.

**Accomplishments.** Switzerland has taken firm measures to combat money laundering and cooperates at the international level toward this end. Switzerland has had a precursor chemical control regime in place since June 1991. In 1992, the Swiss Federal Council decided to accept most of the Chemical Action Task Force recommendations on control of precursor chemicals and to take them into account when ratifying the 1988 UN Convention. Officials hope new implementing legislation will be in place by July 1996. According to the UN Drug Control Program, (UNDCP), Switzerland pledged over \$777,000 in FY 1995 contributions.

**Law Enforcement Efforts.** Seizures of "hard" drugs such as heroin and cocaine reportedly declined during the first half of 1995 compared to the same period the year before, but seizures of amphetamines, LSD and other hallucinogens rose significantly. The number of drug-related deaths rose slightly in the first half of 1995 compared to the same period in 1994, but did not reach the level of 1992.

**Demand Reduction.** Switzerland pioneered methadone treatment in the late 1970's and adopted one of the first needle-exchange programs in the 1980's to control the spread of the HIV virus. In 1994, Switzerland began its controversial drug rehabilitation program, which includes delivery of narcotics to hard core users under strict medical control. Under this program, addicts can obtain heroin, methadone, and morphine. Participants must be at least 20 years old, addicted to hard drugs for a minimum of two years and veterans of unsuccessful attempts to break addiction through traditional rehabilitation programs. The average participant has been 30 years-old and addicted to heroin for 10 years. The program's ultimate goal is to create drug-free people, but we are skeptical that the program can meet its objective. At the end of 1996 Swiss officials will determine whether to continue, expand or eliminate the treatment program.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** United States officials continue to enjoy excellent cooperation from their Swiss counterparts in efforts to counter narcotics trafficking and money laundering. In particular, there have been several successful cooperative operations against money laundering in which the Swiss have seized bank accounts and shared the assets with the United States Government (USG). The USG has been less successful, however, in dissuading Switzerland from promoting its harm reduction programs at international meetings, including those of the United Nations.

**The Road Ahead.** The United States looks forward to exploring ways of engaging Switzerland more directly in multilateral counter-narcotics fora and in efforts to control chemical precursors multilaterally.

## TRANSCAUCASUS

### GEORGIA

#### I. Summary

Seizures of opiates elsewhere in the Transcaucases, Central Asia, Turkey, and Western Europe suggest that opiate trafficking through Georgia is continuing. Nevertheless, Government of Georgia (GOG) authorities have not provided any new information on the illicit drug situation. Counternarcotics law enforcement activities are not a priority for the GOG, although the GOG has increased efforts to reduce street crime and protect the political system from infiltration by criminal elements. Georgia has not taken steps to become a party to the 1988 UN Convention and no significant progress was made in 1995 to enact legislation needed to implement the UN drug conventions.

#### II. Status of Country

The Transcaucasus region continues as a transshipment point for drugs from Central Asia. Several record seizures of heroin and opium in Georgia between 1992-93 demonstrated the region's vulnerability. Rising drug trafficking and abuse at that time prompted concern in Tbilisi. At that time Georgian officials also noted an increased smuggling of opiates and hashish, but most concrete information comes from Western authorities. Turkish authorities seized 1.5 tons of Afghan morphine base in 1992 and 1.3 tons of opium that had transited Georgia in 1993. Georgian authorities report that paramilitary groups provided security escorts for drug smugglers and had a reputation for using drugs.

Although Western authorities continue to report that illicit drug smugglers are using Georgia as a conduit for opiate smuggling from Central Asia and the Golden Crescent to the West, there are no new reports from the GOG. Western authorities and the United Nations report that two of Georgia's major drug transit areas, the separatist regions of Abkhazia and south Ossetia, are inaccessible to Georgian law enforcement agencies. Many uncharted roads in the region bordering Armenia and Azerbaijan offer opportunities for traffickers to conceal shipments from Georgian authorities.

GOG authorities are also increasingly concerned about the growing importance of opiate trafficking channels leading from Armenia and Russia. Cultivation of marijuana and opium poppy also continue to be a problem in Georgia.

Georgian officials report 5,000 officially registered drug users. In 1994, health authorities reported that three percent of the population was addicted to opiates, including heroin.

Georgia is not a significant producer of precursor/essential chemicals, nor is it a party to any international chemical control agreements.

Currently, Georgia is not a key drug money laundering center, although GOG authorities believe some banks and businesses engage in drug-related money laundering. There is no anti-money laundering legislation in place.

### III. Country Actions Against Drugs in 1995

Counternarcotics issues are not a priority for the GOG. As in 1994, the GOG conducted several tactical operations which led to seizures of guns and drugs. These did not constitute significant counternarcotics policy initiatives. Legislation drafted in 1994 proposing stiffer penalties and adherence to international narcotics conventions and agreements never passed, and the USG believes that this or other counternarcotics legislation will not be introduced in the near future. Moreover, counternarcotics law enforcement efforts were hampered in 1995 by interagency rivalry, particularly between the Ministry of Internal Affairs (MVD), Counternarcotics Bureau, and the Intelligence Service (SGB). As a result, working-level law enforcement authorities were plagued by a lack of direction, authority, and resources to conduct effective anti-drug efforts.

**Corruption.** The USG has no information on officials involved in drug related corruption in 1995 and Georgia has no laws specifically targeting narcotics-related corruption by public officials. In 1994, however, 17 GOG officials were arrested on charges of drug trafficking, use, and corruption.

**Agreements and treaties.** The GOG has no counter-narcotics agreements with the United States. Georgia is not a party to the 1961, 1971 and 1988 UN Conventions.

**Cultivation/production.** Opium poppy and marijuana are cultivated in Georgia. There are no reliable estimates on such cultivation. However, GOG officials report that the cannabis yield for 1995 was 7.5 tons, and 12,000 poppy plants and 2.5 tons of marijuana were seized in 1995. Georgian authorities also believe that heroin refining laboratories operate on the Black Sea coast just north of the Turkish border.

**Domestic Programs.** The GOG drug abuse treatment and prevention organization remained inactive in 1995 because of a lack of financial resources. The MVD reports that 5,000 addicts are registered in treatment programs throughout the country, but estimates that the actual number of users is much higher.

### IV. U.S. Policy Initiatives and Programs

In 1995 the USG encouraged the GOG to identify drug problems, and possible areas for assistance and cooperation. The USG is promoting anti-drug assistance from those nations, primarily in Western Europe, most directly effected by opiate smuggling through Georgia. A U.S. Drug Enforcement Administration (DEA) basic investigative course was offered to the national police in 1995.

**The Road Ahead.** Over the next year, the United States will continue to encourage Georgia to take action to accede to and implement the provisions of the 1961, 1971, and the 1988 UN Conventions, expand drug control activities, and establish the necessary legislative and institutional anti-drug capabilities to implement the three UN drug conventions.



## **TURKEY**

### **I. Summary**

Turkey does not produce illicit raw opiates, or precursor chemicals. However, as a natural land bridge it is the key transit route for southwest Asian narcotics moving to Europe. The majority of heroin seizures and arrests in Europe involve Turkish traffickers and narcotics that have transited Turkey. Recent large seizures suggest a rise in Turkish heroin available in the US. Turkey is the site of major processing of imported morphine base into heroin primarily for export markets but also for internal consumption. Turkey is a producer of licit opiates for the pharmaceutical industry, but there is no evidence of diversion from the licit crop.

Turkish authorities cooperated closely with the United States and saw record success in their 1995 drug interdiction efforts, but better equipped traffickers moved the majority of their illegal narcotics undetected. The Turkish Parliament authorized ratification of the 1988 UN Convention in 1995 but the instrument of ratification has not yet been deposited with the UN. The Parliament has not yet passed implementing legislation on asset seizures, money laundering, controlled deliveries or chemical precursors.

### **II. Status of Country**

Turkey's geographic location as the land bridge between southwest Asian drug producers and western consumers makes trafficking its number one narcotics issue. Istanbul, a megalopolis with over eleven million people, is a key drug transit and processing center. Heroin and hashish move through Istanbul to Europe and, to some extent, the US. Major Turkish, Iranian, and other international trafficking organizations operate from Istanbul, maintaining contacts with source areas and production centers in Pakistan, Afghanistan, Iran, eastern Turkey and the newly independent states in Central Asia, as well as distributors in Europe and North America. The terrorist PKK (Kurdistan Worker's Party) uses heroin production and trafficking to support its insurgency against the GOT. Traditional drug-trafficking 'families' and trafficking organizations also continue to be active. Traffickers continue to use Turkey's overland routes to smuggle Captagon to the Middle East.

DEA estimates that perhaps half of the opiates and hashish arriving in Turkey now move by air and sea routes, as ethnic strife in Turkey's southeast and the conflict in the former Yugoslavia disrupt traditional overland routes through Turkey and the Balkans. However, thousands of trucks continue to traverse Turkey each year, enabling traffickers to move large quantities of drugs overland from Asia to Europe. Civil unrest and tenuous border controls, severe poverty, and corruption in the former southern Soviet Republics have also spawned new overland trafficking routes through Central Asia converging in Istanbul.

There is no reported illicit poppy cultivation in Turkey. It is recognized as a "traditional" poppy growing country by the International Narcotics Control Board (INCB) and the USG for licit cultivation of opium poppies to meet legitimate world demand for cooking and pharmaceutical uses. The Turkish government allows cultivation in designated provinces under careful monitoring, pays high prices for poppy straw, and levies heavy penalties for lancing poppies to extract opium gum. Due to its effective controls over cultivation and production, there is no evidence of diversion into illicit channels.

The government's Bolvadin alkaloid plant uses the concentrate of poppy straw (CPS) method, grinding up the entire poppy plant, which has not been lanced, to produce anhydride morphine alkaloid (AMA) used by international pharmaceutical companies. The CPS factory is the largest of its kind in the world. Turkey increased cultivation 137 percent in 1995 because of increased demand for its morphine related to India's inability to meet opium contracts with the pharmaceutical industry in 1994.

A dramatic surge in 1995 seizures of acetic anhydride (AA) imports, plus the discovery and destruction of eight heroin labs, indicates that traffickers have increased processing activity within Turkey itself. Imported morphine base is converted into heroin, using the essential chemical AA, primarily for export but also to supply the small but rapidly rising domestic consumption. Processing labs have traditionally been located in remote parts of southeast Turkey, and recently been found with increasing frequency in the Marmara region south of Istanbul.

Turkey's Parliament has not yet passed the draft bill against money laundering introduced in late 1994; hence money laundering is still not prohibited or controlled. Turkey is considered to be a high priority for the USG's anti-money laundering efforts because of the lack of banking controls and the likelihood that some drug profits are returned to Turkey for investment in legitimate businesses. The Central Bank requires banks to identify customers and to report transactions above three billion Turkish lira (50,000 USD) every month. This information is reported to the Treasury and Finance Ministry. The banking law requires banks and financial institutions to maintain all documents--originals if possible--related to their operations. The Turkish commercial code requires all entities to keep their records for ten years.

### **III. Country Action Against Drugs in 1995**

**Policy Initiatives.** Turkey has an integrated three-year narcotics strategy, now in its second year, to boost the effectiveness of interdiction efforts and better coordinate donor assistance. In 1995 the Turkish government approved a significant, much-needed increase in narcotics police manpower in Istanbul, and 100 additional officers are now working on drug investigations there.

In late 1995, the Turkish government shepherded an important draft bill on money laundering, asset seizure, precursor chemical and controlled delivery through all required parliamentary review committees, but it was not enacted prior to Parliament's adjournment for elections. The next government will have to resubmit the bill for parliamentary committee review, but such second-time reviews are generally faster than initial ones. The draft legislation is not perfect, but its adoption would be a major step toward meeting Turkey's obligations under the 1988 UN Convention and the recommendations of the Financial Action Task Force (FATF).

If the draft legislation is enacted, money laundering will become a crime, and a new "Financial Crimes Research and Investigation Administration" will be created with sole responsibility for enforcement. Upon enactment, the bill will strengthen existing asset seizure laws to bring them into compliance with the 1988 UN Convention. It will expand existing controls on essential chemicals from just AA to both the importation and domestic use of all chemicals listed in the 1988 UN Convention annex. The bill will allow controlled delivery both domestically and internationally, whereby narcotics discovered to be transitting Turkey can be delivered and tracked to their destinations abroad so that investigations can identify major traffickers in consuming countries. Previously, narcotics have always been confiscated immediately upon discovery, impeding investigation of drug trafficking organizations.

**Accomplishments.** The day before adjourning for national elections, Parliament authorized ratification of the 1988 UN Convention, but the instrument of ratification has not yet been deposited with the UN. Also in 1995, Turkey enacted a tax law requiring every citizen to have a tax number and to specify that number in every financial transaction. However, regulations to ensure implementation of the law have not yet been issued, so many financial institutions are not asking for and recording customer identification.

The Government of Turkey (GOT) strongly supported a regional chemical conference hosted by the United States DEA in Istanbul in September 1995. Officials from almost 30 countries concerned with regional essential chemical interdiction attended the conference, conducted by DEA's Office of Diversion Control with support from the European Community.

**Law Enforcement Efforts.** Turkish enforcement agencies--the Turkish National Police (TNP), Jandarma (rural police), Customs and Coast Guard--cooperate closely with the US and other user countries, aggressively pursue drug investigations, and assist in the prosecution of drug traffickers. The Turkish authorities responded fully to USG requests last year for documents and evidence needed for several investigations, and their cooperation was critical to the success of a major case with direct US impact. Following a multi-year DEA/TNP investigation, Turkish officials facilitated the rendition to the United States of a key drug-related money laundering fugitive to face federal charges. Millions of dollars in financial assets in the US and other countries were seized as a result of this investigation.

Turkish interdiction efforts were very successful in 1995. Turkish authorities seized record amounts of heroin (over 3 tons), cocaine (56 kilos, or several times the prior peak), and acetic anhydride (about 53 tons). They also seized over 16 tons of hashish and significant amounts of opium and morphine base. Arrests reached a record high of 4,690, and eight heroin labs were found and destroyed.

Even with their best efforts, Turkish authorities stop only a small part of the four to six metric tons of heroin and morphine that DEA estimates transit Turkey each month. This is partly due to continued manpower constraints. Istanbul's recently augmented anti-drug force remains thin at an approved strength of 240, and the new officers need more training and street experience. It also reflects traffickers' use of sophisticated equipment beyond the reach of traditional police intelligence gathering methods. Limited finances prevent Turkish law enforcement agencies from purchasing comparably advanced equipment.

**Corruption.** As a matter of policy, the Turkish government does not encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of drug money. There are, however, instances of alleged corruption within the police and criminal justice systems, perhaps exacerbated by the low pay of police officers. While senior law enforcement and most other government officials fully cooperate on narcotic interdiction efforts, drug cases have been compromised at the investigative level, and there are problems of corruption once apprehended traffickers enter the judicial system.

**Agreements and Treaties.** Turkey is a party to the 1961 UN Single Convention on Narcotic Drugs (but not to its 1972 Protocol) and the 1971 Convention on Psychotropic Substances. Parliament authorized ratification of the 1988 UN Convention on November 22 and the Convention is expected to become effective for Turkey shortly. Turkey has signed several bilateral agreements for narcotics interdiction. Extraditions between the United States and Turkey are governed by the 1979 Treaty between the United States and Turkey on Extradition and Mutual Legal Assistance in Criminal Matters. Turkey is a member of the G-7's Financial Action Task Force (FATF) for the prevention of money laundering. It is the only FATF member not to have taken significant steps to meet the recommendations of the FATF, although legislation bringing Turkey into substantial compliance with the recommendations came within hours of passage prior to the adjournment of Parliament in November.

**Domestic Programs.** In the last few years, domestic drug consumption has increased from Turkey's historically very low level. An INL-funded survey by the widely respected Istanbul Research and Treatment Center for Alcohol and Substance Addiction (AMATEM), and surveys by other Turkish institutions indicate that 4-7 percent of high school and university students have taken drugs. Usage among non-student youth may be equal or higher. This problem has been noted among both rich and poor in Istanbul, and is spreading to other cities and rural areas as well. The GOT is implementing demand reduction programs in the Istanbul area, with the Turkish National Police organizing programs in the schools.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** The USG continues to urge the government to pass legislation on money laundering, asset seizure, chemical regulation, and controlled transfer. The USG also encourages Turkey to play a greater regional role in coordinating interdiction and training efforts with the newly independent states. The USG is providing assistance and guidance to AMATEM Clinic via programs to better analyze drug addiction patterns and to conduct outreach training for family doctors to recognize and treat drug abuse.

**Bilateral cooperation.** The US and Turkey cooperate closely against narcotics trafficking. The USG focuses its assistance to the TNP on training and equipment support for intelligence gathering and interdiction operations. The USG is assisting Turkish Customs to improve interdiction at Turkey's main land border crossings with Bulgaria, Iran, Iraq, Syria, and Georgia. In 1995 the USG inaugurated a new program to expand Turkey's Customs Service monitoring of shipping in the Marmara area, through which pass most seaborne narcotics and precursor chemicals bound for, from, or through Turkey.

The USG also inaugurated a new project with AMATEM clinic to develop outreach training for general practitioners and family physicians in the early diagnosis and treatment of drug abuse. The USG is also providing computer equipment for AMATEM to analyze addiction patterns, user profiles, and treatment results.

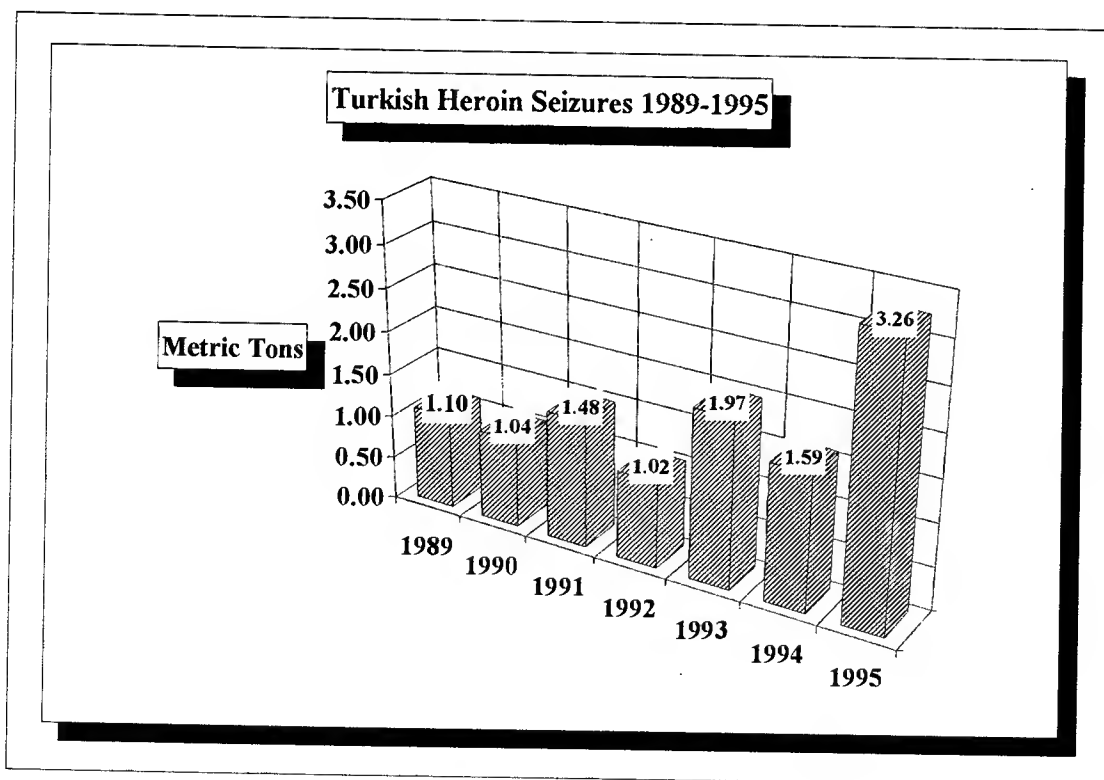
**The Road Ahead.** Turkey faces an increasing flow of narcotics, as production in Afghanistan burgeons. Economic and political troubles across the huge swath of land from Pakistan north and west to Turkey encourage steady streams of narcotics flowing via multiple new routes to western markets. Domestic drug abuse is on the rise in Istanbul and is spreading outward, covering the spectrum from the poorest elements, who typically use glue, hashish, and heroin, to the richest elements of the population, who typically use cocaine. Against this backdrop, US assistance across the board--for training, search and detection equipment, and for AMATEM's work on diagnosing and analyzing drug abuse--has never been more important.

## Statistical Tables

## TABLES for CY

		1995	1994	1993	1992	1991	1990
<b>Seizures</b>							
Opium	[mt]	0.033	0.086	0.021	0.002	0.022	0.004
Heroin	[mt]	3.26	1.59	1.97	1.02	1.48	1.04
Hashish	[mt]	16.34	18.2	28.67	16.72	5.51	11.90
Morphine base	[mt]	0.94	0.24	2.90	4.53	3.20	0.15
Acetic Anhydride	[mt]	52.8	22.5	0.185	-	22.73	5.44
Cocaine	[mt]	0.056	0.016	0.009	0.005	0.001	-
<b>Arrests</b>							
	persons	4,690	4,467	2,415	2,238	2,201	2,213
<b>Labs Destroyed</b>							
Heroin		8	5	1	1	5	7

Sources: Turkish National Police, Jandarma, and Turkish Opiates Board (TMO).



## UKRAINE

### I. Summary

In 1995, drug trafficking, abuse, and cultivation continued to escalate in Ukraine. Ukraine's considerable role as a conduit for drug smuggling from Central Asia and Turkey to Europe is reflected in over 23 tons of narcotics seized in the first half of 1995. Moreover, authorities have also begun to seize chemical shipments destined for Southwest Asia used in the production of illicit narcotics such as heroin. According to Ukraine officials, organized crime groups are increasingly involved in the domestic cultivation of opium poppy and cannabis, both of which are illegal. Meanwhile, drug abuse appears to be on the rise, although official estimates do not reflect the increase. The Government of Ukraine (GOU) has begun to take steps to counter the drug problem. Ukraine, a party to the 1988 UN Convention, adopted several laws in 1994-1995 to implement the Convention, including asset seizure and forfeiture legislation. Moreover, the GOU has accelerated antidrug law enforcement cooperation with Europe and the United States. Despite these positive steps, the GOU counterdrug efforts continue to be plagued by inadequate coordination, lack of financial resources, corruption, and the relatively low priority assigned by the GOU to the issue.

### II. Status of country

Ukraine's location and traditional role as an opium poppy producer continues to attract criminal organizations. Authorities believe that small organized gangs control most of the domestic drug activities in Ukraine. One Ukraine official estimated that there are about 480 such drug operations producing and distributing opium poppy straw and other drugs in the eastern cities of Kharkiv, Dnipropetrovsk, and Donetsk. Most of these gangs are from Ukraine or from Central Asia and the Transcaucasian states.

Ukraine was once a source of licit poppy straw for the Soviet Union and, while most poppy cultivation was outlawed in 1987, authorities continue to discover cultivation. Ukraine authorities also indicate increased discoveries of amphetamine processing laboratories.

The Ministry of Interior reports that nearly 20,000 persons were arrested for drug-related crimes in the first half of 1995, up from 11,500 in 1994.

Drug smugglers use Ukraine as a conduit for smuggling drugs from Central Asia and Afghanistan to Western Europe. In the first half of 1995, Ukraine authorities seized over 23 tons of illicit drugs, including hashish, opium poppy straw, and amphetamines, compared to the seizure of 6 tons in the first half of 1993.

Increased drug trafficking has led to expanded domestic drug use. Although the number of registered addicts is approximately 50,000, Ukraine government officials believe that the actual number of addicts is closer to 500,000.

Ukraine officials are concerned that drug traffickers are exploiting the Central bank system to launder drug profits. Although there are indications that Russian organized crime groups are involved in money laundering in Crimea, the extent of money laundering is unknown.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** In 1995, the GOU antidrug campaign focused on developing new antidrug legislation and a policy framework to implement the 1988 UN Convention, to which Ukraine is a party. The antidrug legislation which was adopted includes provisions against illicit drug use and trafficking. Although the legislation outlaws the use of licit precursor and essential chemicals in manufacturing illicit drugs such as heroin, it does not include provisions for controlling the export and import of these chemicals. The GOU also adopted anti-money laundering laws, with provisions for asset seizure and forfeiture. To implement the legislation and coordinate government efforts, the Cabinet of Ministers approved a three-year national antidrug strategy and established a national coordinating council.

**Law Enforcement.** Although the GOU law enforcement programs are understaffed and their personnel inexperienced, recent efforts through both the Security Service of Ukraine (SBU) and the Ministry of Interior (MVD), include the establishment of specialized counterdrug units. Coordination with the West and other parts of the Newly Independent States has yielded some successes, including a joint Ukraine-Russian interdiction effort which dismantled a poppy smuggling operation located in Odessa.

**Corruption.** President Kuchma and SBU chairman Volodymyr Radchenko have consistently denounced corruption as the GOU's biggest problem. Ukraine authorities have not reported any cases of narcotics-related corruption, although arrests of government officials involved in corruption is reportedly on the rise.

**Agreements and Treaties.** Ukraine is a party to the 1988 UN Convention, the 1961 UN Single Convention on Narcotic Drugs, and the 1971 UN Convention on Psychotropic Substances. The GOU is modifying its antidrug law to implement the 1988 UN Convention. However, effective implementation will require stricter controls on narcotics trafficking and production, more effective law enforcement, and the application of new laws on asset seizure and forfeiture.

**Cultivation and Production.** The GOU continues to outlaw poppy cultivation, except for officially registered hemp and opium poppy crops, which are limited to 9,000 hectares in 176 farms and strictly monitored with police units stationed in fields while they are being harvested. However, Ukraine officials believe that illicit cultivation, primarily in Western and Northern Ukraine is on the rise. "Koknar," a homemade mixture of boiled poppy straw that some experts believe causes the same effects as heroin when injected, is produced throughout Ukraine. Cannabis cultivation in southern Ukraine is also on the rise.



**Domestic Programs.** Although government officials have begun to acknowledge increased drug abuse problems, drug addiction treatment programs are limited. Existing detoxification centers are run by the police because drug abuse has traditionally been considered a criminal problem rather than a social problem.

#### **IV. U.S. Policy and Objectives.**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued to urge increased attention to the drug issue. Efforts focused on identifying existing problems, possible areas for assistance, and the need to implement the UN drug conventions. Moreover, the USG continued to encourage antidrug assistance from those nations, primarily in Western Europe, that are most directly affected by heroin smuggling through Ukraine.

Against this backdrop, the USG has provided assistance for two U.S. Drug Enforcement Administration regional courses in Odessa and a second seminar in advanced drug enforcement school in Moscow and in Budapest. The USG is also funding Ukraine participation in a U.S. demand reduction training program and providing earmarked contributions to the United Nations Drug Control Program for Ukraine.

**The Road Ahead.** The USG will continue to encourage the GOU to expand its drug control activities and to establish the necessary legislative and institutional capabilities to implement the 1988 UN Convention. Law enforcement and demand reduction training will be provided in 1996.

## UNITED KINGDOM

### I. Summary

The United Kingdom (UK) is a consumer country for illicit drugs. It also produces and exports many precursor and essential chemicals. The UK strictly enforces national chemical legislation in compliance with EU regulations. British financial institutions have been vulnerable to money laundering, including that of narcotics proceeds converted in the UK and transited through the country. The Channel Islands and the Isle of Man also have offshore banking facilities that attract drug funds. Implementation of tougher money laundering legislation seems to have reduced vulnerability throughout the crown territories.

### II. Status of Country

Marijuana is the most popular illicit drug in the UK. With an estimated 100,000 heroin addicts, British officials are most preoccupied with stemming the abuse of heroin and other injected drugs. While crack cocaine and cocaine use have increased, the anticipated cocaine epidemic has not occurred, probably due to the prohibitive price of cocaine. British authorities remain concerned about the use of amphetamines, which have been termed "the poor man's cocaine," and ecstasy (MDMA) whose abuse was highlighted in 1995 by the deaths of several young people who ingested the drug in clubs. Authorities have improved controls on clubs in an effort to reduce health hazards posed by ecstasy.

British drug policy attacks all narcotics fronts including demand reduction, treatment, and law enforcement. Locally-based programs provide the backbone for domestic drug policy.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In May 1995, the British government introduced the "Tackling Drugs Together" initiative. This three-year program involves a three-pronged approach: increasing community safety from drug-related crime, helping young people resist drugs, and reducing the health risks of drug abuse. Local drug action teams comprising police, probation, health, education, prison and local authorities implement the strategy.

The UK vigorously contributes to international drug control efforts. British bilateral aid and assistance focused in 1995 on Latin America (Colombia), Central and Eastern Europe, and Southwest Asia. At the end of the year the UK helped forge a major Franco-British plan aimed at increasing EU counter-narcotics assistance to the Eastern Caribbean.

**Accomplishments.** In 1995, another criminal law was proposed by the Government calling for tougher sentences for repeat drug traffickers.

**Agreements and Treaties.** The UK is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and complies fully with the Convention's provisions. The UK was the first EU member to ratify the Council of Europe's Directive on Money Laundering. The British actively participate and provide critical leadership in a number of international drug control fora including the Council of Europe's Pompidou Group, the Dublin Group, EUROPOL's Drug Unit and other EU fora, the Financial Action Task Force (FATF), and the United Nations International Drug Control Program (UNDCP).

The UK channels about half of its counter-narcotics funding through the UNDCP. According to UNDCP, the UK pledged approximately \$7.8 million in FY95 contributions. The UK chairs the Southwest Asia Region in the Dublin Group and is a vocal counter-narcotics advocate in the many mini-Dublin Groups throughout the world.

**Corruption.** The UK is mostly free of public corruption. When identified, corrupt officials are vigorously prosecuted.

**Drug Flow/Transit.** Heroin shipments to the UK generally originate in Afghanistan and Pakistan and are routed through Turkey, Central and Eastern Europe, and the Balkans. Marijuana comes mostly from Morocco. Large cocaine shipments arrive directly from South America; smaller shipments (under 50 kilos) come via Amsterdam. Supplies of amphetamines and ecstasy can be traced to underground laboratories in the UK and certain other European countries, particularly the Netherlands (also LSD) and Poland.

**Law Enforcement Efforts.** British law enforcement officials, as well as customs and excise officials, are vigilant and effective. In 1994 the UK seized nearly 67,000 kilograms of controlled substances (of which ninety four percent was cannabis) and convicted, cautioned or fined 86,972 drug offenders. Statistics for 1995 are not available.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Since 1989 the US and UK governments have conducted periodic consultations at the Assistant Secretary level to coordinate and harmonize policies, plans and programs on all counter-narcotics fronts. Law enforcement cooperation between the two countries is excellent and growing. In accordance with existing bilateral agreements, the UK cooperates to the fullest extent with efforts by the United States or other countries to trace or seize ill-gotten assets. British laws permit the sharing of forfeited assets with the United States Government. Asset sharing with others is on an ad hoc basis.

**The Road Ahead.** The United States looks forward to continued close cooperation with the United Kingdom on all counter-narcotics fronts.

## **FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

### **I. Summary**

Drug abuse and illicit drug trafficking have increased substantially in the Former Yugoslav Republic of Macedonia (FYROM) during the past four years. This is attributable in large part to a breakdown of the tight control exercised by the prior regime and the economic downturn experienced following the breakup of Yugoslavia. The opening of borders with Albania and Bulgaria have also made it possible for traffickers to develop new smuggling routes across the Balkans through Albania to Italy. The Government of the FYROM is a party to the 1988 UN convention.

### **II. Status of Country**

The Former Yugoslav Republic of Macedonia has become a major transshipment point for drug trafficking between Turkey and Western Europe. Illicit narcotics smuggling through the FYROM has risen substantially in recent years, following the closing of the border with Serbia and the imposition of the Greek embargo on FYROM. The expansion of the FYROM sole East-West link through Bulgaria and Albania provides an opportunity for drug traffickers in Turkey to move their drugs through the FYROM. Only a small portion of the illegal drugs reportedly remain in the FYROM.

### **III. Country Actions Against Drugs in 1995**

The Ministry of Interior has an active anti-narcotics program, and is in the process of establishing an anti-narcotics unit. In 1995, the Government of the FYROM made 119 drug arrests for drug smuggling and seized 110.34 kilograms of heroin, 9.964 kilograms of raw opium, and 10.1 kilograms of marijuana. The value of the seizures was 2.7 million German marks. The Government of the FYROM reported that it had uncovered 12 drug smuggling operations between Italy and Turkey.

Arrests of local drug dealers also increased in 1995. The Ministry of Interior reported that it seized from small-scale retailers 6.603 kilograms of heroin, 3.730 kilograms of marijuana, 6 551 kilograms of opium, and 147 marijuana plants.

**Illicit Cultivation/Production.** There is some illicit cultivation of opium and or cannabis in FYROM for personal consumption. There are no statistics on such cultivation, however, and enforcement is supported by an aggressive anti-illicit cultivation program. There is also legal opium poppy cultivation, which is strictly controlled. Production is by individual farmer-contractors or big socially-owned agricultural plants. Alkaloid, the only factory in the FYROM that processes the opium poppy, provides the contractors with poppy seeds and buys the opium. Some recent cases under investigation have suggested that there are also laboratories illegally producing amphetamines.

The Government of the FYROM is currently developing legislation to allow for asset seizure. Currently, FYROM police and customs authorities can only seize vehicles involved in trafficking.

Macedonian citizens can not be extradited; they can be prosecuted for crimes committed in other countries.

**Law Enforcement.** Cooperation with neighboring countries has been hampered by the political situation in the region. An interim agreement with Greece has led to improved cooperation on the FYROM-Greek border. Cooperation with Bulgarian and Albanian border authorities is uneven. Lack of relations with Serbia/Montenegro means that cooperation with Serbian officials is extremely limited. In 1995, the Ministry of Interior reported a 29.3 percent increase in drug trafficking over 1994.

**Demand Reduction.** Public awareness programs are supported primarily by international organizations. Limited treatment of addicts is financed by the state. Addicts are treated in state-owned institutions. In 1995, the Ministry of Interior reported an increase of 540 registered drug addicts, with a total of 1,377.

**Agreements and Treaties.** FYROM is a party to the 1988 UN Convention.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** The USG continues to promote increased FYROM Government attention to the drug problem. Moreover, the USG encourages antidrug support from those nations, primarily in Western Europe, most directly affected by the drug problems from this region. In 1995, provided resources to help improve FYROM Customs procedures and facilities.

**The Road Ahead.** The U.S. Government will continue to encourage FYROM to expand its drug control activities, enact anti-drug legislation, and improve its counternarcotic enforcement capabilities. The U.S. Government will urge FYROM to implement the provisions of the 1988 UN drug convention.

## CENTRAL ASIAN STATES

### KAZAKSTAN

#### I. Summary

Kazakstan is confronting a significant narcotics problem. Major international heroin trafficking groups are accelerating efforts to smuggle drugs through Kazakstan, and it remains a major international source of marijuana. As of September 1995, the Ministry of Interior (MVD) reported seizures of over six tons of illegal narcotics and 8,500 drug-related crimes in Kazakstan. Illicit opium cultivation also continues to be a problem, according to national law enforcement authorities. Despite a highly publicized campaign by the Government of Kazakstan (GOK) to combat narcotics trafficking (and crime and corruption in general), efforts to form and implement an effective antidrug strategy have been slow. GOK authorities bolstered interdiction in 1995, and the number and size of illegal narcotics seizures increased. Nevertheless, interdiction efforts continued to be hampered by shortages of experienced personnel and equipment, alleged wide-scale corruption, and inadequate legislation. Kazakstan is not yet a party to the 1988 UN Convention.

#### II. Status of Country

Kazakstan continues to play a large and growing role as a conduit for illegal drug smuggling. Because it is a transportation and communication bridge between Europe and Asia, increasing amounts of illegal drugs, primarily opium, from Southwest Asia and China are smuggled through Kazakstan to Russia, other Newly Independent States (NIS), and Europe. GOK officials speculate that illegal narcotics are smuggled from the Afghan-Tajik border to Almaty, Kazakstan via Dushanbe, Osh, and Bishkek. Moreover, a recent increase in seizures along the border with China reflects increased trafficking of Southeast Asian heroin through Kazakstan.

Domestic production of illegal drugs is on the rise, according to GOK officials. Marijuana remains the primary illicit drug crop, although ephedrine and opium production are also increasing. While the NIS appears to be the major market for such production, drug narcotics from Kazakstan have been seized as far away as Western Europe.

The clandestine diversion of legal medications from hospitals, clinics, and suppliers is also increasing. The possible diversion and trafficking of precursor chemicals to and from Kazakstan remains a growing concern.

Health officials state that drug abuse is much higher than reflected in the number of registered addicts; 6,000 in 1995. This number primarily reflects cannabis users in regions where cultivation is high. In Chymkent, a recent survey indicates one out of every 14 citizens uses cannabis. Health officials note that the use of homemade opium poppy straw and other opiates is on the rise.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The GOK is slowly developing a comprehensive antidrug strategy, but adoption, funding, and implementation of the strategy remains a low priority. The GOK has not yet become a party to the 1988 UN Convention, and the drug strategy for 1994-1997 is currently undergoing policy and funding review. On paper, government anti-narcotics activities are overseen and supervised by the State Drug Enforcement Committee, chaired by a Deputy Prime Minister. In practice, however, this committee appears to do very little to coordinate the activities of the various law enforcement agencies.

Notable government efforts in 1995 included a wide-scale restructuring of the law enforcement and criminal justice systems. The GOK law enforcement organizations also underwent a major restructuring, which included the creation of the State Committee for Investigations (GSK) as the primary law enforcement organization responsible for government anti-narcotics operations. The biggest challenge to the GSK, however, is to conduct operations under severe resource and financial constraints. Other initiatives in 1995 included the establishment of an internal anti-corruption campaign, approval of a new customs code by presidential decree, and increased cooperation with other NIS law enforcement agencies.

Although police efforts do not appear to be a major deterrent to international drug smuggling, Kazakstani law enforcement agencies confiscated record amounts of illegal narcotics in 1995. Seizures included two record cargoes of marijuana that totalled 1,220 kilograms. As of September 1995, the MVD reported that approximately six tons of illegal narcotics had been seized and 8,500 drug-related crimes were reported. During the first seven months of 1995, over 260 kilograms of illegal drugs had been confiscated by Kazakstani Customs.

**Cultivation and Production.** Cultivation of opium poppy, cannabis, and ephedra is illegal in Kazakhstan. However, MVD officials report that seventy percent of all illicit opium poppy is grown in southern Kazakhstan, though the extent of the total growth is unknown. Kazakstani authorities also estimate that the country's potential marijuana yield is in excess of 5,000 metric tons per year. According to GOK estimates, 138,000 hectares of cannabis grow wild in the Chu valley, approximately 30,000 hectares of cannabis grow in the Taldy-Korgan region, and lesser amounts exist in the Almaty city region and Kzyl-orda and south Kazakhstan oblasts. Despite the substantial quantity of cannabis harvested, Kazakhstan has not been added to the 1996 "majors list" as a drug producing country because such cannabis is consumed locally or is exported to countries other than the United States, and thus does not significantly affect the United States. Ephedra plants, from which the illegal drug ephedrine is derived, grow wild in the Zailiyski and Junggar mountain ranges and in the Taldy-Korgan and Dzhambyl regions. GOK authorities estimate that approximately 2,000 tons of ephedra can be harvested in a single summer, and they believe illicit production of ephedrine is increasing.

The Chymkent pharmaceutical factory, the only such plant in the NIS, has the capability to produce five to eight types of opiates for legal use, including morphine, codeine, promedol, thebaine, and ethyl-morphine. Between 1973 and 1992, the pharmaceutical plant in Chymkent legally processed 150 tons of Indian opium annually. After a temporary shut down from 1991 to 1992, production resumed in 1993, with the purchase of 50 tons of raw opium from India. According to GOK officials, the factory is again shut down due to financial constraints.

**Corruption.** Corruption is reportedly widespread within the GOK, particularly within the law-enforcement organizations. Despite recent government efforts to bring corruption under control, corruption still remains a very serious obstacle for law enforcement and is likely hampering the effectiveness of Kazakstani anti-narcotics efforts. Nevertheless, the USG does not have any specific reports of official narcotics-related corruption in Kazakstan.

**Agreements and Treaties.** The GOK has drafted a new penal code which will assist GOK efforts to implement the international drug conventions. The GOK does not have an anti-narcotics or anti-crime treaty or agreement with the USG at this time.

Legislation to support fuller compliance with the UN Conventions has been drafted, but has not yet been adopted. Kazakstan is a party to the October 1992 agreement between the NIS police forces regarding the coordination of drug control activities. In 1993, the Committee for National Security (KNB) entered into bilateral agreements with counterpart service in Belarus, Kyrgyzstan, Russia, Ukrainian, and Uzbekistan. Currently, Kazakstan, Russia, and Belarus are in the process of establishing a customs union. Kazakstan is a member of the Customs Cooperation Council (CCC), INTERPOL, and is an observer at the UN Commission on Narcotic Drugs.

**Domestic Programs.** The GOK maintains a treatment and prevention program, currently administered by the Ministry of Health. According to the MVD, in 1995 there were over 17,000 registered drug users in Kazakstan. An additional 6,000 individuals were officially registered as addicts, although government officials believe that the actual number is at least ten-times larger. Typically, government rehabilitation programs are chronically short of medication, bed space, funding, and qualified personnel.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued a counternarcotics dialogue with the GOK and urged the GOK to give increased priority to the drug issue. USG goals and objectives for Kazakstan include support for GOK efforts to reform the law enforcement and criminal justice systems, including (1) the drafting of internationally acceptable legislation; (2) technical assistance to law enforcement organizations, including the development of an effective customs control regime; (3) support to identify the nature and scope of illegal narcotics trafficking, cultivation, production, and abuse in Kazakstan; and (4) promoting cooperation with international organizations on narcotics-related activities in Kazakstan.



Against this backdrop, during 1995, the USG provided Kazakhstan law enforcement officers with regional anti-narcotics seminars and workshops in Almaty, Aktau, and Antalya, Turkey; and an assessment of road, rail, and air customs facilities throughout Kazakhstan; funded GOK participation in a drug and chemical diversion control conference in Istanbul, Turkey, and invited the Director General of GOK Customs to the United States.

Moreover, the USG has worked with the UNDCP to encourage increased drug control support for Kazakhstan. The UNDCP opened a regional office in Tashkent in June 1993. The United States continues to urge Western European nations most directly effected by heroin smuggling through Central Asia to increase earmarked contributions for UNDCP.

**The Road Ahead.** The United States will continue to urge Kazakhstan to expand its counter-narcotics activities and to implement effective anti-drug institutional and legislative changes. The U.S. plans to continue to provide assistance through UNDCP and to provide bilateral law enforcement, customs and demand reduction training assistance.

## **KYRGYZSTAN**

### **I. Summary**

Kyrgyzstan is a significant conduit for drug traffickers seeking Western markets for Southwest Asian opiates. The unsettled political situation in Tajikistan, inexperienced and undertrained police authorities, and potential corruption make Kyrgyzstan increasingly vulnerable to the drug industry. Kyrgyzstan was once one of the world's largest suppliers of licit opium poppy, and after the Soviet ban on opium poppy cultivation in 1973, illicit cultivation continued. Although no official estimates are available, Government of Kyrgyzstan (GOK) officials believe such illicit cultivation is on the decline. The GOK became a party to the 1988 UN Convention in 1994 and has taken some limited steps to develop a counternarcotics response. Most of these efforts in 1995 focused on increasing interdiction efforts on the border, including the seizure of a total of one ton of opium.

### **II. Status of Country**

The drug trade is increasingly targeting Kyrgyzstan as a transshipment point for smuggling opiates to Europe. The increased trafficking through Tajikistan, combined with the Kyrgyz law enforcement agencies' limited resources, suggests that drug trafficking will continue to grow. In 1995, Kyrgyzstan officials seized one ton of opium that was destined for Western markets. Kyrgyzstan's location makes it attractive to increased transit trade, as heroin and hashish traffickers seek new routes from Pakistan and Afghanistan to Russia and the West. The growing use of this route by traffickers to channel drugs from Afghanistan to the Newly Independent States (NIS) and the West has resulted in a corresponding rise in drug related crimes in Kyrgyzstan.

Kyrgyzstan once supplied more than 16 percent of the world's raw licit opium which was consumed in the Soviet Union. Although illicit opium cultivation continues, there are no reliable estimates of its extent. However, Kyrgyz officials believe that it is on the decline.

In 1993, President Akayev expressed concern that Kyrgyzstan has one of the largest drug abuse problems in Central Asia with 50,000 consumers. Officials believe that the recent decline in law and order, and the increase in youth crime could fuel domestic opium use. Drug use, particularly among youth is already becoming more prevalent in Kyrgyzstan. Moreover, escalating drug trafficking from Afghanistan via Tajikistan makes opiates, including heroin, more available.

Kyrgyz officials indicate that there have been allegations of drug money laundering in the nascent Kyrgyz banking system. However, there are currently no domestic laws to address this issue.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Escalation of the drug problem in Kyrgyzstan prompted President Akayev to increase attention to developing a counterdrug response in 1995. At the end of 1995, he signed a decree to make the Kyrgyz State Committee for National Security (GKNB) the lead agency for combating illicit drugs and to give the Russian border guards patrolling the Kyrgyz-Tajik border greater counterdrug responsibilities. The Ministry of Interior (MVD), which controls the national police force, was reorganized to include a counterdrug division.

**Law Enforcement Efforts.** The GOK still lacks many of the basic resources to institute effective, coordinated law enforcement efforts. Most current law enforcement efforts focus on eradication and interdiction activities initially begun when Kyrgyzstan was part of the Soviet Union. Bureaucratic rivalries and infighting limit coordinated interdiction activities. In 1995, however, GOK authorities report that they seized approximately one ton of opium.

**Corruption.** The USG does not have any reports of official narcotics-related corruption in Kyrgyzstan. However, GOK law enforcement authorities indicate that narcotics-related corruption is common at the working-level. The GKNB has in place a special unit to deal with corruption.

**Agreements and Treaties.** The GOK is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Effective implementation of the 1988 UN Convention will require, inter alia, stricter controls on trafficking and production, more effective law enforcement, and imposition of criminal penalties for narcotics possession. The GOK signed an antidrug agreement with all other NIS in 1992, and a bilateral agreement with Germany in 1993. The GOK does not have an extradition treaty with the USG.

**Cultivation and Production.** Although Kyrgyzstan was once a key supplier of licit opium poppy for the Soviet Union, the GOK continues the ban on opium poppy cultivation, first imposed by the Soviet Union in 1973. Prior to 1973, over 7,000 hectares of opium poppy were cultivated annually and sent to a plant in Kazakhstan for licit morphine processing. Difficulties in controlling the licit cultivation and processing of opium prompted Moscow to ban opium poppy cultivation and to begin importing licit opium poppy straw from India.

Various sources indicate that opium poppy continues to grow wild and is cultivated for illicit purposes. Most cultivation is in remote mountainous regions, and authorities reported the discovery of a poppy field in Bishkek two years ago. There are also reports that ephedra grows wild in Kyrgyzstan. A UN report also indicates that ephedra is collected for the licit manufacture of ephedrine at a plant in Chymkent in Kazakhstan; Kyrgyz officials indicate that such cultivation is illegal. During the last four years, 48 illicit ephedrine laboratories were destroyed. There are also indications that cannabis is grown in Kyrgyzstan, possibly around Bishkek in the Chu Valley. Kyrgyz officials estimated in 1994 that such cultivation was approximately 40,000 hectares and the product was consumed primarily in Central Asia and other NIS. Despite the substantial quantity of cannabis harvested, Kyrgyzstan has not been added to the 1996 "majors list" as a drug producing country because such cannabis is consumed locally or is exported to countries other than the United States, and thus does not significantly affect the United States.

**Domestic Programs.** Economic conditions in Kyrgyzstan prompted the GOK two years ago to slash funds allocated to the country's five drug treatment centers in Bishkek, Osh, Karakol, Naryn, and Talas.

#### **IV. U.S. Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued to encourage Kyrgyzstan to modernize its legal framework for combatting drug smuggling and to implement the international drug control treaties. The USG also urged increased cooperation with United Nations Drug Control Program and neighboring countries for regional counternarcotics efforts. The USG provided limited training to GOK officials during 1995 at regional workshops and seminars.

**The Road Ahead.** Over the next year, the USG will continue to encourage Kyrgyzstan to implement the 1988 UN Convention, expand drug control activities, and establish the necessary legislative institutions. The USG will offer law enforcement training opportunities and will encourage Russia and Western European countries to cooperate more closely with Kyrgyzstan's law enforcement authorities.

## **TURKMENISTAN**

### **I. Summary**

The drug trade is increasing efforts to use Turkmenistan as a conduit to smuggle illicit drugs to the West and precursor and essential chemicals to the East, to open new markets, and cultivate opium. Currently, the greatest drug challenge to the Government of Turkmenistan (GOTX) is from international drug smugglers seeking to move opium and/or heroin from Afghanistan to Western markets and precursor chemicals from the West to morphine base producers in Southwest Asia. Turkmenistan officials are also concerned that domestic drug cultivation and use also appear to be on the rise, although statistics on either are limited. The growing number of casinos and foreign-run luxury hotels also raise questions about Turkmenistan's vulnerability to money-laundering activities associated with the narcotics trade, although no official cases have been made. The GOTX is increasing priority to drug control, but efforts to develop a response to the increased trafficking through the region problem have been slow. The GOTX is not a party to the 1988 U.N. Convention Against the Trafficking of Narcotic Drugs and Psychotropic Substances.

### **II. Status of Country**

Although health authorities indicate that domestic drug consumption is not a large problem, traditional opium cultivation and use of opium poppy, and lack of sufficient resources to monitor the borders, make Turkmenistan increasingly vulnerable to the drug industry. Turkmenistan health authorities have indicated that there is a domestic opium addict population. Opium was traditionally smoked, brewed, or processed into a beverage for celebrations, medicine, or daily use by tribal peoples. Health officials report. However, that they do not have any statistics on use. They believe that many opium users in urban areas now inject opiates. Intravenous opium use in rural areas, once practically nonexistent, is also increasing. Marijuana use is prevalent.

Seizure patterns indicate that opium from Afghanistan, Uzbekistan, Tajikistan, and Iran transits Turkmenistan, enroute to markets in Russia, Turkey, and Western Europe. The most common smuggling route goes through the cities of Kushka or the Afghan border and to Mary beyond. Opportunities for drug smuggling are expanding with the recent improvement in international transportation connections and along the borders with Iran and Afghanistan. Direct air routes now link Ashgabat with Teheran, Istanbul, Karachi, Dushanbe, Tashkent, and Moscow; a railway line to Iran is under construction; and truck transport to Europe has become more common.

Recent seizures of acetic anhydride underscore the region's vulnerability to the smuggling of licit chemicals for the production of illicit drugs such as heroin. A record 25-ton cargo of acetic anhydride was seized in Turkmenistan in November 1995. This was the third such seizure in Turkmenistan last year.

Drug sales and distribution appear to be controlled by local traffickers, according to Turkmen authorities. Opium is bartered by these local traffickers for scarce commodities such as bread and fuel. Authorities believe that the higher incidence of drugs being smuggled into the country from Iran and Afghanistan could also fuel increased domestic drug use. Local production, likely on small plots, may also be a factor, according to health officials. These officials also predict increased domestic drug use, if the political situation in Afghanistan fuels the influx of ethnic Turkmen-Afghans, among whom opium use is reportedly high.

Turkmenistan officials have expressed concern that crime groups may already be laundering funds through casinos and hotels. For example, one of the new luxury hotel and casino establishments in Ashgabat has been linked to an individual with a prior conviction for heroin trafficking in the U.S.

Manufacture, possession, sale and use are illegal under the criminal code which also includes a provision for confiscating illegally acquired property. No formal asset forfeiture code exists.

### **III. Country Actions Against Narcotics in 1995**

**Policy initiatives.** GOTX progress in forming an effective antidrug campaign in 1995 was hampered by a lack of financial and personnel resources, equipment, and training. Moreover, plans by the Ministry of Health to formulate a national drug policy and develop a government coordinating committee on drug issues in 1994 have not yet materialized, and a proposal to merge the border guards, customs, and certain internal affairs and security functions into a "Ministry of Border Security," has yet to be adopted.

The GOTX's existing antidrug programs focus on enforcement and interdiction and some limited educational demand-reduction initiatives through the schools. Despite limited enforcement resources, the GOTX has seized cargoes of Afghan opium bound for Turkey in trucks and cars. Moreover, Turkmenistan authorities are expanding international cooperation to increase their interdiction efforts. Drug enforcement efforts in 1995 included the seizure of 285 kilograms of illicit drugs and an annual opium eradication effort. According to press reports, the Committee of National Security (KNB) tried more than 80 drug smugglers in the first six months of 1995; a thirty percent increase over the same period in 1994. Concern about trafficking on the Afghan border has also led to an increased deployment of border troops in Kushka and tight restrictions on access to the border regions.

**Corruption.** The USG has no reports of government officials involved in drug-related activities in Turkmenistan.

**Agreements and treaties.** Turkmenistan has not yet become a party to the 1988 UN Convention on Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 UN Single Convention on Narcotics and its 1972 protocol, or the 1972 UN Convention on Psychotropic Substances. There are no counterdrug bilateral agreements between Turkmenistan and other states.

Turkmenistan does not have an extradition treaty with the USG. Counternarcotics officers indicate that drug offenders have been extradited to Afghanistan and that agreements are in place with other parts of the CIS to extradite drug offenders.

**Cultivation/production.** Cultivation of opium poppy is illegal in Turkmenistan. Illegal cultivation, however, does occur, particularly in remote mountain and desert areas and in small local plots. Although no statistics on the extent of such cultivation are available, authorities report that most opium poppy is cultivated along the Iranian border in the Akhal Velayat, which contains Ashgabat and in the eastern regions of Lebap and Mary. Cannabis is also prevalent in Turkmenistan. There is also some processing of opium resin and poppy straw extract for domestic consumption.

**Domestic programs.** A limited drug and alcoholism treatment program continues under the Ministry of Health, including an addiction reference center, a combination education and research organization. The center is seeking to create an educational curriculum and conduct research on the causes of drug abuse. There is some government concern, however, that prevention programs will create increased interest in drug use. The MVD also has a program which allows convicted drug users to be paroled with the provision that they remain under MVD supervision for one year. Each region also has in- and outpatient narcotics treatment clinics, which are described as adequate for current needs.

**Policy Initiatives and Bilateral Cooperation.** In 1995 the USG continued to encourage Turkmenistan to modernize its legal framework for combatting drug smuggling, to adhere to international drug control treaties and become a party to the three UN Conventions. Moreover, the USG urged increased cooperation with UNDCP and neighboring countries in regional counter-narcotics efforts. The USG provided limited training to government officials during 1995 at regional workshops and seminars.

Turkmen customs cooperation with DEA led to the arrest in the United States of an opium smuggler. Turkmen customs officers will participate as witnesses in the trial.

**The Road Ahead.** Over the next year, the USG will continue to encourage Turkmenistan to accede to and implement the 1988 UN Convention, expand drug control activities, and establish the necessary legislative institutions. The USG will continue to offer law enforcement training opportunities and will encourage Russia and Western European governments to cooperate more with Turkmenistan law enforcement authorities. The USG will also continue to provide training opportunities for counternarcotics officers to assist Turkmenistan's efforts to interdict and deter the flow of narcotics transiting its borders.

## **TAJIKISTAN**

### **I. Summary**

In 1995, Tajikistan continued as a key conduit for illicit drug smuggling, including opium, hashish, and -- for the first time -- heroin, from Afghanistan to Russia, other Newly Independent States (NIS), and presumably Europe. Various political and economic factors make Tajikistan an increasingly attractive area for drug operations.

The key transit area for drugs smuggled through Tajikistan is the eastern province of Gorno Badakhshan. The Government of Tajikistan (GOT) does not have an effective antidrug campaign. It also lacks strong antidrug legislation and the resources to implement it. Nevertheless, drug arrests and seizures of opium, hashish and heroin, and the destruction of drug crops increased in 1995. The Parliament ratified the 1988 UN Convention on November 3, 1995 and amended the criminal laws to provide for tougher penalties for some drug-related crimes.

## **II. Status of Country**

Tajikistan, in 1995, remained a key conduit for smuggling opium and hashish from Afghanistan to Russia, the NIS, and Europe. In October 1995, the Tajik Customs Service made the first ever seizure of heroin on the Afghan border. Russian and Tajikistan border forces, despite recently expanded efforts, particularly in the area of Gorno Badakhshan, believe they seized only a fraction of the illicit drugs transiting the region.

Growing drug trafficking in the region prompted, Aga Khan, the leader of the world's Ismaili Muslims, to deliver a strong anti-drug message to the largely Ismaili population of Gorno Badakhshan, during his first visit there in May 1995. According to Tajikistani officials a narcotics "mafia" has emerged in Gorno Badakhshan, comprised of wealthy, influential leaders in the surrounding regions. These organized crime groups are expanding international contacts to reach more profitable markets in Moscow. A kilogram of opium which sells for 100-120 U.S. dollars in Tajikistan will sell for 5,500-6,000 U.S. dollars in Moscow, according to Interior Ministry officials. Various sources indicate that these criminal groups have already developed links with elements of the Russian border guards, the Tajikistani opposition forces, government officers, and the Afghan mujahadeen.

Based on the number of arrests and seizures, government security officials estimate that the flow of drugs transiting Tajikistan, mainly in the Khorog/Murghab/Osh corridor, is increasing. Drugs are also smuggled by air from Dushanbe to Russia and by rail from Dushanbe to Uzbekistan and beyond.

According to Ministry of Interior officials, opium poppy cultivation is also increasing in Tajikistan, although the USG does not believe that cultivation is significant enough to include Tajikistan on the list of major drug producers. While isolated fields have been discovered in a few districts around Dushanbe, in southeastern Khatlon, and in northern Leninbad, most of the poppy continues to be grown in the Zerafshan Valley around Penjikent and then smuggled into Uzbekistan. There are unconfirmed reports of opium poppy cultivated in parts of Gorno-Badakhshan.

Narcotics drug abuse inside Tajikistan is still a minor problem, but health officials believe it is increasing. Before the 1992-93 civil war approximately 6,000 drug users were registered in Dushanbe and 40,000 in all of Tajikistan. Some government officials are worried that the advent of heroin smuggling through Tajikistan will lead to domestic heroin use.



There are no reports of drug money laundering in Tajikistan. Tajikistan is not a producer/exporter of drug precursor chemicals.

### **III. Country Actions Against Drugs in 1995**

**Policy Initiatives.** Despite a preoccupation with the deteriorating economy, intermittent bread shortages, and the political/military struggle with the Tajik opposition, the government took some steps to develop an antidrug strategy. The new drug plan, which is now under review by the Office of the President, recommends the creation of a state commission and funding for counterdrug programs. The Parliament acceded to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances on November 3, 1995, and adopted amendments to the criminal laws to increase penalties for drug-related crimes.

Law enforcement efforts in Tajikistan confront an increasing number of challenges, including Soviet-era legislation, lack of equipment, vehicles and fuel, and low salaries. Even with these constraints, arrests for drug-related crimes, number of hectares of opium poppy destroyed, and the amount of drugs seized all increased in 1995. According to Ministry of Interior officials, seizures of narcotics through early December 1995 totaled 1,620 kilograms (kg), including 1,549 kg of raw opium, 67.9 kg of marijuana and hashish, and 2 kg of other substances. According to customs officials, 2 kg of heroin were seized -- for the first time -- in October 1995 on the Afghan border. Most opium seizures were made by border guards. The largest single confiscation was 367 kg of opium. Government officials believe these increases did not keep pace with the rise in drug smuggling and cultivation.

Ministry of Interior officials also note that 1,676 drug-related criminal cases were initiated in 1995, compared to 1,330 in all of 1994. Among them 1,010 were related to planting and cultivation, 636 to producing, storing, and transporting, and 20 to selling drugs. Women are being arrested in increasing numbers in connection with drug smuggling.

In 1995, Tajikistan officials began working with the United Nations Drug Control Program (UNDCP) Central Asian regional office in Tashkent and will soon begin to implement a regional program to combat drug smuggling along the Murghab (Tajikistan) to Osh (Kyrgyzstan) to Andishan (Uzbekistan) corridor.

**Corruption.** Allegations continue of official drug-related corruption at senior levels of the government, as well as by members of the Commonwealth of Independent States (CIS) peacekeeping force, the Russian border forces, and the Tajik opposition. These allegations remain unproven as cases have not been brought to court. A bilateral agreement with Russia stipulates that Russia is responsible for discipline and crimes committed by Russian border guards in Tajikistan.

**Agreements and Treaties.** Although Tajikistan's parliament ratified the 1988 UN Convention on Illicit Traffic in Narcotic Drugs and Psychotropic Substances in November 1995, the GOT must now formally inform the UN that it has acceded to the 1988 UN Convention and must adopt legislation to implement the Convention. In addition, the GOT must become a party to the 1961 UN Single Convention on Narcotics and its 1972 protocol and



the 1972 UN Convention on Psychotropic Substances. The Tajik border forces are also a party to a trilateral agreement with the Russian and Kyrgyz border forces, signed in Dushanbe on December 22, to share information and cooperate in combatting drug smuggling along the primary drug-smuggling route of Khorog/Murghab/Osh.

Tajikistan has no bilateral counter-narcotics agreements with the United States. Tajikistan is a party to two CIS multilateral agreements: "On Cooperation of the Interior Ministries of the CIS in Combatting Illegal Narcotics," signed in Kiev in October 1992; and "The CIS Convention on Legal Assistance on Civil, Domestic, and Criminal acts," signed by the Heads of the CIS in January 1993. Under the latter agreement, the CIS agreed to exchange information on crimes and criminal activity and extradite persons arrested.

**Cultivation/Production.** Cultivation of opium poppy is illegal in Tajikistan. In 1995, a multi-agency task force destroyed 566 hectares of planted crops in Zerafshan valley near Penjikent. The destroyed acreage included 314 hectares of opium poppy, 34.4 hectares of cultivated Indian hemp, and 217.3 hectares of wild hemp. Destruction efforts were greatly hampered by the lack of access to helicopters and fuel. The extent of cultivation is unknown and the USG does not believe cultivation is significant enough to include Tajikistan on the list of major producers. There are also reports of small fields of opium poppy and hashish in isolated mountain valleys in some districts near Dushanbe, in southeastern Khatlon region, in northern Leninabad region, and -- for the first time -- in parts of Gorno Badakhshan.

**Domestic Programs.** The health care delivery system has been largely demolished by the deteriorating economy and lack of government funds. Since the 1992-93 civil war and the breakdown of the state health system, drug users have not been registered, and medical treatment has been unavailable. Dushanbe possesses the only specialized drug abuse treatment center, a clinic with 20-30 beds and no rehabilitation program. The Ministry of Interior has recently instructed local authorities to start registering drug users again.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives and Bilateral Cooperation.** In 1995, the USG continued to encourage Tajikistan to modernize its legal framework for combatting drug smuggling, to adhere to international drug control treaties and become a party to the three UN Conventions. Moreover, the USG urged increased cooperation through the UNDCP and with neighboring countries in regional counter-narcotics efforts.

In November 1995, U.S. Drug Enforcement Administration (DEA) officers for the first time visited Tajikistan to discuss increased cooperation with government officials. The USG provided limited training to government officials during 1995 at regional workshops and seminars.

**The Road Ahead.** Over the next year, the United States will continue to encourage Tajikistan to implement the 1988 UN Convention, expand drug control activities, and establish the necessary legislative institutions. The USG will continue to offer law enforcement training opportunities and will encourage Russia and Western European countries to cooperate more fully with Tajikistan law enforcement authorities.

## UZBEKISTAN

### I. Summary

Drug trafficking organizations continued to expand their smuggling operations through Uzbekistan, out-pacing the Government of Uzbekistan (GOU)'s expanded counterdrug programs in 1995. To confront the drug challenge, the GOU has taken steps to develop an effective antidrug campaign, following the accession to the three UN drug control conventions. The GOU has adopted a new criminal code with tougher penalties for drug-related crimes, and has established a National Committee to coordinate domestic drug efforts. Law enforcement has been the centerpiece of the GOU strategy. Government authorities have also taken advantage of United States and UN training programs and are developing their own training courses and seminars to disseminate information on chemicals, money laundering, and new tactics to facilitate interdiction. The GOU intensified its annual program to eradicate opium poppy and cannabis. These efforts have done little to contain drug trafficking through Central Asia, which remains a key conduit for heroin smuggling.

### II. Status of Country

Uzbekistan's greatest drug challenge is increased drug trafficking from Southwest Asia as traffickers seek to expand smuggling routes to lucrative drug markets in Western Europe and Russia. Uzbekistan's location in Central Asia, and the relatively modern transportation system through Tashkent, make it an increasingly attractive brokering center for drug operations. Uzbekistani authorities indicate that Azeri, Georgian, and other criminal groups appear to make use of Tashkent as a connection to Russia and the West. GOU officials note that drug-related crime is rising steadily.

Seizures suggest that the primary heroin smuggling route is from Afghanistan through Gorno-Badkshshan and Khorog, Tajikistan, to Osh, Kyrgyzstan, and then to Uzbekistan. Drugs are also smuggled from Afghanistan to Uzbekistan via Termez.

Domestic drug cultivation in Uzbekistan appears to be limited to small individual opium poppy plots in inaccessible mountainous regions. GOU officials believe that domestic cultivation of narcotics decreased in 1995, and law enforcement officials report that their efforts to control illicit cultivation have been successful.

The level of drug use in Uzbekistan is moderate. The number of registered drug addicts is slightly over 15,000. Health officials report approximately 44,000 users, but estimate that there could be as many as 200,000. The GOU is planning a demand reduction campaign for 1996.

### III. Country Actions Against Drugs in 1995

In 1995, following the parliament's decision to accede to the three UN drug conventions, the GOU increased efforts to develop an antidrug campaign.

Key to this effort was the establishment of a national commission to coordinate antidrug efforts and the issuance of a National Policy Declaration to encourage local authorities to increase priority to drug control. The GOU has also capitalized on training programs offered by the United States to develop in-country training seminars, to disseminate information, and to increase drug interdiction operations.

The GOU adopted a new criminal code which incorporates tougher penalties for cultivation, possession, sale, and traffic in drugs. Illicit drug cultivation now carries a maximum penalty of a ten-year prison sentence; drug dealers face penalties ranging from five years in jail to the death penalty; production or processing of drugs can be punished by up to 15 years in jail; and drug users can be sentenced to five years in jail. Although the GOU has not criminalized money laundering, the criminal code allows for the confiscation of property owned by those convicted of drug-related crimes. To facilitate the implementation of the new criminal code the Supreme Court of Uzbekistan convened a plenary session on narcotics in November 1995 to provide guidance to lower courts.

The newly-established National Commission on Drug Control will expand coordination efforts and consider a public awareness campaign. However, law enforcement is the centerpiece of the GOU counterdrug effort. Using three helicopters from the Ministry of Defense, the GOU expanded its drug eradication program to reach previously inaccessible remote mountainous areas. Twenty hectares of hashish and opium poppy were eradicated. Expanded efforts to arrest drug traffickers resulted in 398 drug-related arrests in the first ten months of 1995, up from 178 arrests in 1994; 437 kilograms of drug seized in the first ten months of 1995, up from 217 kilograms last year; and 166 criminal drug trafficking cases tried in the first half of 1995, up from 166 in all of 1994.

To target precursor and essential chemical smuggling for illicit uses, the GOU began in 1995 to disseminate lists of illegal narcotics and chemicals and increased operational efforts to interdict chemical shipments. The Commission conducted a working-level seminar to increase awareness of the potential dangers of money laundering.

Future plans include a program to establish an intelligence center for narcotics control to coordinate inter-agency activities and programs and the development of a regional detector dog training program. Both of these programs were designed by the United Nations Drug Control Program (UNDCP) and have received USG contributions.

Recognizing the regional nature of the drug threat, the GOU has also increased contacts with neighboring drug authorities. In September 1995, Deputy Ministerial-level officials from the Uzbek Ministry of Internal Affairs, Customs, and the investigators' office met with their counterparts from Tajikistan and Kyrgyzstan to coordinate drug control efforts. The UNDCP is working with the five Central Asian states to promote a regional drug control effort including a conference in March 1996 in Osh, Kyrgyzstan, to further develop regional cooperative efforts. A regional Memorandum of Understanding on counternarcotics issues is now under review by the five Central Asian states.

Even with these advances and increased assistance, however, the GOU efforts have not proven effective to stem the increasing flow of drugs from Afghanistan and Tajikistan. In the last year, new routes have been identified through Tajikistan and Kyrgyzstan. Uzbek border authorities are ill-equipped and ill-trained to intercept narcotics effectively.

**Corruption.** There were no reported incidents of narcotics-related corruption in 1995. Currently, there are no narcotics-specific anti-corruption laws.

**Agreements and Treaties.** In November 1995, the parliament acceded to the 1961 UN Single Convention on Narcotic Drugs, as amended by the 1972 protocol; the 1971 UN Convention on Psychotropic Substances; and the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

On September 29, 1995, Uzbekistan and Turkey signed a bilateral agreement on cooperation to increase counternarcotics cooperation, and the GOU is reviewing a regional counternarcotics agreement for Central Asia. The GOU has also expressed an interest in concluding a bilateral Memorandum of Understanding on counternarcotics with the United States.

**Cultivation/Production.** Opium poppy and hashish are cultivated in the mountainous areas of Uzbekistan, particularly in the regions of Samarkand and Syrhandarya. Because the scope of the 1995 annual eradication operation was much broader than in 1994, Uzbek officials believe that the level of drug cultivation has dropped significantly. During the annual drug eradication program, law enforcement officers located and destroyed 20 hectares of opium poppy and hashish. Over 100 hectares were eradicated last year. Nevertheless, there are no accurate statistics on the extent of such cultivation in Uzbekistan and the USG has determined that Uzbekistan does not meet the criteria as a major cultivator of opium.

**Domestic Programs.** Uzbekistan now has seven rehabilitation clinics which treat drug and alcohol addicts, however, no national demand reduction campaign exists. Health officials report that illicit drug use has not expanded over the past year. Officials believe the level of drug use in Uzbekistan has remained stable since 1994.

#### **IV. Policy Initiatives and Bilateral Cooperation.**

In 1995, the USG continued to encourage Uzbekistan to modernize its legal framework for combatting drug smuggling, and implementing the three UN drug conventions. Moreover, the USG urged increased cooperation with UNDCP and neighboring countries in regional counternarcotics efforts.

During 1995, the USG provided earmarked contributions for Uzbekistan to UNDCP as well as four bilateral training courses.

**The Road Ahead.** Over the next year, the USG will continue to encourage Uzbekistan to implement the 1988 UN Convention, expand drug control activities, and establish the necessary legislative institutions. The USG will continue to offer law enforcement training opportunities and will encourage Russia and Western European countries to increase cooperation with Uzbekistan law enforcement authorities.

**AFRICA  
AND  
THE MIDDLE EAST**



## COTE D'IVOIRE

### I. Summary

Cote d'Ivoire serves as a transit point for heroin from Asia and cocaine from South America destined for European and North American markets. There continues to be minimal production of low grade cannabis, primarily for domestic consumption. Domestic use of other illicit drugs, in particular heroin and cocaine, continues to rise. The vast majority of those arrested for drug-related offenses continue to be of Ivorian nationality. The National Drug Police (NDP), while recognizing the problem of narcotics trafficking, is severely hampered by a lack of resources.

### II. Status of Country

Narcotics production in Cote d'Ivoire is limited to cultivation of low-grade cannabis, primarily for domestic consumption. While drug use in Cote d'Ivoire is not widespread, the continued rise in cocaine and heroin use among residents of Lebanese nationality is cause for concern. Abidjan is a regional hub for international airline travel as well as a regional financial center, which provides the greatest law enforcement and interdiction challenge for the Government of Cote d'Ivoire (GOCI). There is no evidence that narcotics processing occurs in Cote d'Ivoire.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** While there were no significant counternarcotics policy initiatives taken in 1995, the GOCI continued to take small steps to meet the 1988 UN Convention objectives.

**Law Enforcement Efforts.** Law enforcement activities are hampered by a lack of training and resources. Airport officials must use hospital facilities, if available, to determine whether suspected passengers are carrying contraband internally. Cote d'Ivoire's 1995 national elections diverted attention from counternarcotics law enforcement activities. Overall, 1995 saw a large increase in heroin and cocaine seizures but a decrease in cannabis and amphetamine seizures. In June, two Nigerians were arrested for possession of 2kgs of cocaine.

**Corruption.** There were no significant arrests or prosecutions for corruption in 1995.

**Agreements and Treaties.** The GOCI is a party to the 1961 and 1971 UN Conventions, and the 1972 Protocol; it ratified the 1988 UN Convention in 1991. The USG signed Letters of Agreement with the GOCI in 1992, 1993, and 1994.

**Asset Seizure and Forfeiture.** Although the GOCI has enacted an asset forfeiture and seizure law with provisions to cover assets related to narcotics trafficking, the law has never been used. Domestic laws do not permit sharing of forfeited assets with other countries.

**Cultivation/Production.** Limited quantities of cannabis are grown in the south, east, and west of Cote d'Ivoire, primarily for local consumption. The NDP have no reliable methodology for determining crop size or yields. If the police discover a crop, they burn it.

**Drug Flow/Transit.** Houphouet-Boigny airport continues to be used as a transit point, albeit not a major one, for Asian heroin and South American cocaine in route to Europe and North America. There are no reliable data indicating an increase or decrease of drugs transiting the country. Vehicles, aircraft, and ships continue to be the primary means to transport illicit narcotics.

**Demand Reduction.** The GOCI's demand reduction is limited to news articles on drug abuse and publicity regarding the penalties associated with illicit narcotics use and trafficking.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** USG counternarcotics goals in Cote d'Ivoire focus on limiting the use of Abidjan as a transit point for narcotics trafficking.

**Bilateral Cooperation.** The bilateral agreements of 1992, 1993, and 1994 relieved some of the GOCI's logistical problems through provision of technical equipment.

**Road Ahead.** The primary USG counternarcotics goal in Cote d'Ivoire will continue to be to halt the transit of illicit narcotics through Houphouet-Boigny Airport and the use of Cote d'Ivoire's financial system for money laundering. Ivoirian Customs will send participants to a regional US Customs training program which will take place in Benin in 1996.



## EGYPT

### I. Summary

Egypt is an important player in the trafficking of hashish and opiates from Southwest Asia and a small but growing producer of cannabis and opium poppy. Despite efforts by the Government of Egypt (GOE), Egypt remains a transshipment point for Asian heroin destined for Western Europe and the United States and domestic heroin addiction is increasing. Hashish remains the most commonly abused drug, although anecdotal evidence from local sources indicates increased cocaine use. Despite GOE eradication efforts, illicit opium and cannabis cultivation continues to increase. Although Egypt is a party to the 1988 UN Convention and attempts to meet the relevant goals and objectives, counternarcotics resources are limited because terrorism is the Egyptian Government's (GOE) primary security concern. Egyptian drug laws are strictly enforced and penalties for drug trafficking are severe. Counternarcotics efforts in Egypt are led by the Egyptian Anti-Narcotics General Administration (ANGA). The responsibilities of ANGA roughly coincide with those of DEA.

### II. Status of Country

Egypt's long border, and numerous land and maritime entry points facilitate the transshipment of heroin and opium from Asia to Europe and the US. The Suez Canal is the principal route used to transport hashish and opiates from the Makran Coast of Pakistan to Turkey. The majority of the hashish available in Egypt is from Lebanon; Moroccan and domestically-produced hashish are also offered on the local market. ANGA reports declining use of Maxiton Forte, a locally produced liquid amphetamine first introduced for the workers of the Aswan Dam. In contrast, the number of heroin users and amounts of heroin seized in Egypt are rising as well. Opium cultivation in the Sinai and in Southern Egypt is increasing. GOE control of these areas is limited because of weak infrastructure. ANGA reports that the Southern Sinai has become the preferred area in Egypt for poppy cultivation. ANGA conducts regular crop eradication programs. Cocaine use remains at a relatively low level but abuse of pharmaceutical drugs is rising. Prescriptions are not required to purchase pharmaceuticals in Egypt and the industry remains unregulated although the GOE continues to work on instituting stricter distribution controls. These problems are exacerbated by a lack of funding and resources for the counternarcotics program.

### III. Country Actions Against Drugs in 1995

The GOE continues to strive to implement the comprehensive drug control strategy it announced in 1994; however, resources are limited. A drug awareness program targeted at school-age children is under development by the Ministries of Education and Public Health, the Coptic Church, and El-Azhar University. Egyptian drug laws are severe and include capital punishment for producers and traffickers of hard drugs.

**Accomplishments.** GOE counternarcotics policies did not change in 1995. ANGA is expanding its units along the long border with Libya, and has increased the size of its eradication unit. Cairo hosted a regional counternarcotics conference in August 1995.

**Interdiction/Eradication.** Interdiction efforts remain a priority for the GOE and law enforcement staff at Cairo International Airport. Resources include a US DEA-trained canine sniffer team, police, customs officials, and ANGA personnel. British customs officials have provided training in the use of airline computers to assist in the identification of drug traffickers. After analysis of its airport program, ANGA decided to upgrade training for its canine sniffer program; the training will take place in March 1996 under DEA supervision. In 1995, ANGA eradicated approximately 50 million cannabis plants (up from 7 million in 1994) and 17 million opium poppy plants (up from 10.3 million in 1994). ANGA's other counternarcotics efforts remain focused on reducing consumption and interdicting drug trafficking in Egypt. ANGA officials attended a UN/DEA conference on precursor chemicals used in narcotics production in September 1995 in Istanbul.

**Corruption.** Corruption is prevalent in Egypt. However, the USG knows of no accusations of drug-related corruption among senior ANGA or higher echelon GOE officials.

**Agreements and Treaties.** Current bilateral agreements exist between Egypt and Tunisia, Syria, Pakistan, India, Germany, Jordan, Italy, the United Kingdom, and the US. The GOE finalized the bilateral counternarcotics agreement with India in March 1995. The Director of ANGA was elected Vice President of the UN International Narcotics Committee and his term will run until 1999. Egypt ratified the 1988 UN Convention in 1991 and attempts to fulfill the precepts of the Convention within the framework of its Constitution and religious customs. Money laundering and asset forfeiture proposals are currently under study by the GOE and legislative action on this front is expected in 1996. ANGA hopes to exchange drug liaison officers with Lebanon and Libya in 1996.

**Cultivation/Production.** Opium poppy and cannabis cultivation increased in 1995. DEA continues to provide ANGA with training and equipment to determine crop yield. ANGA does not operate a crop substitution program. There is also some evidence of domestic heroin production.

**Drug Flow/Transit.** Egypt remains a transit point for heroin and hashish. Lighters loaded with tens of tons of hashish and lesser quantities of opiates off the coast of Pakistan use the Suez Canal en route to Turkey.

#### **IV. US Policy Initiatives and Programs**

US policy objectives are to exchange information on narcotics trafficking with the GOE, to detect and interdict heroin shipments through Egypt, and to provide training and equipment to law enforcement personnel as appropriate.

**Road Ahead.** The USG will continue its efforts to encourage full implementation of its 1991 Bilateral Agreement with Egypt and the 1992 and 1993 Amendments thereto. Pursuant to these agreements, the USG will transport and install counternarcotics equipment. The USG will also urge the ANGA to cooperate in controlled deliveries and to participate in a more complete exchange of counternarcotics information. The USG will also stress the critical need for an effective Suez Canal interdiction program. Two ANGA officers will attend a US-sponsored counternarcotics conference scheduled to take place in Addis Ababa in 1996.

## GHANA

### I. Summary

During 1995 Ghana continued to serve as a transit point for Latin American cocaine and Asian heroin, both destined for the US and Europe. Drug abuse and consumption increased despite efforts by Ghanaian narcotics control authorities. The Ghanaian Government (GOG) acknowledges that marijuana cultivation continues. US-sponsored training has contributed to improved GOG interdiction efforts at airports and border control areas. Despite some arrests and seizures, it remains difficult to determine the overall degree of success in curbing Ghana's role as a transit point.

### II. Status of Country

Marijuana production and abuse continue to grow in rural areas. Heroin and cocaine abuse is more pronounced in urban centers, especially Accra, where cocaine abuse is assuming serious proportions. Despite stringent narcotics laws, increased enforcement measures and public education, illicit drug trafficking continues to increase. Drug traffickers are drawn to Ghana for its variety of international flights and its ready supply of impoverished courier recruits. During 1995, there was a slight increase in the number of Ghanaians (59) arrested worldwide on narcotics charges, primarily for cocaine trafficking (36).

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** The Narcotics Control Board (NCB) has undertaken a total review of the 1990 Narcotic Drug Law in order to bring it into conformity with the UNDCP guidelines. Major amendments will address the disposition of confiscated properties of drug dealers, mandatory prison terms for convicted drug dealers, and destruction of confiscated dangerous drugs. The NCB consulted with the UN International Narcotics Control Board (INCB) concerning means to facilitate compliance with the provisions of drug control treaties and improve the GOG's drug trafficking control systems. The GOG also consulted with the UNDCP chief technical advisor in November 1995 to secure his evaluation of GOG anti-drug institutions and his recommendations for enhancing the effectiveness of interdiction and demand reduction measures. The GOG plans legislation to allow 50% of drug dealers' seized assets be given to the NCB to fund counternarcotics activities. The NCB also plans to launch a drug prevention fund in 1996 in the amount of \$500,000, seeking contributions from individuals, organizations, commercial firms and international agencies.

**Law Enforcement Efforts.** Drug seizures and arrests for both cocaine and heroin were slightly higher than in 1994 despite staff shortages, inadequate training resources, lack of financial resources to motivate informants, and lack of four-wheel drive vehicles for expeditious operations. In 1995 the NCB seized 12.1 kilos of cocaine and 1.8 kilos of heroin, while arresting 178 traffickers. However, cannabis seizures for 1995 declined from 87.6 kilos as against 4.2 metric tons in 1994. Other enforcement activities

included: (1) the arrest by NCB of three postal employees who collaborated with cocaine dealers to smuggle drugs concealed in parcels; and, (2) confiscation by customs agents attached to Ghana's Post and Telegraph Corporation of 3.17 kilograms of cocaine concealed in two photo albums. In December 1995 the GOG cooperated with a DEA investigation of a Malian national who transited Ghana enroute to Thailand, where he was arrested in possession of heroin.

**Corruption.** In 1995, there were no reports linking any Ghanaian government official with facilitating the production, processing, or shipment of narcotics, psychotropic drugs, or other controlled substances, or discouraging the investigation or prosecution of such acts.

**Agreements and Treaties.** The GOG is a party to the 1988 UN Convention and is attempting to meet the Convention's goals and objectives. Ghana is a party to the 1961 UN Convention as amended by the 1972 Protocol as well as the 1971 UN Convention. A 1931 extradition treaty between the United Kingdom and the US is applicable to Ghana.

**Cultivation/Production.** The only illicit substance cultivated in Ghana, cannabis, is used for marijuana production, which continues to increase. Cannabis is grown in rural areas throughout the country.

**Drug Flow and Transit.** Traffickers smuggle drugs through Ghana by road at the borders with Togo and the Cote d'Ivoire, by air through the international airport in Accra, and by sea via the ports of Tema and Takoradi. Cannabis moves from rural areas to urban centers, smuggled by boats and vehicles particularly to Togo, Cote d'Ivoire, the Canaries, Angola, and Liberia. Heroin trafficking in urban centers increased in 1995 as did transshipment of the drug to the US, the UK and other parts of Europe. Heroin traffickers continue to obtain their supplies from Hong Kong, Thailand, Nigeria, and Cote d'Ivoire. The use by drug dealers of the expedited mail service appears to be waning. Cocaine traffickers obtain the drug in South America. The most common form of concealment used by cocaine smugglers is ingestion, but traffickers also include the drug in expedited parcel deliveries and in shipments such as automobile spare parts, and electronic equipment. Ghanaians act as agents for Nigerian traffickers in the local distribution of the drugs. However, in some cases, Ghanaian traffickers have established their own drug smuggling ventures, sometimes in coordination with Nigerian traffickers. The illegal export of cocaine increased during 1995.

**Demand Reduction.** The NCB delivered demand reduction lectures to various schools, training institutions, and organizations during 1995. Each lecture was followed by a promotion to form drug-free clubs. On June 26, 1995, the NCB organized the 1995 World Drug Day in Ghana as proclaimed by the UN General Assembly to raise public awareness and to promote preventive measures.

#### **IV. US Policy Initiatives and Programs**

**The Road Ahead.** In 1995 the USG and Ghana signed an extension to the 1993 Letter of Agreement (LOA) providing \$50,000 to assist the GOG in creating special narcotics squads to apply more effective interdiction operations along its borders with Togo and Cote d'Ivoire. The USG will

continue to: (1) support the creation of self-sufficient GOG counternarcotics organizations; (2) assist the GOG to improve interdiction efforts and reduce Ghana's role as transit point for narcotics; (3) provide commodity assistance to Ghanaian narcotics authorities; (4) coordinate procedures for to expedite extraditions of narcotics fugitives sought by the US; and, (5) provide training and assistance to Ghana's narcotics law enforcement agencies, to include infrastructure-building, enforcement, and train-the-trainer courses.

## ISRAEL

### I. Summary

Israel is primarily a drug consuming country, with heroin and cannabis remaining in the lead, according to the Israel National Police (INP), with rising abuse rates for cocaine, LSD, and amphetamines. The Government of Israel (GOI) is concerned that drug trafficking may increase along with enhanced regional ties. In 1995, Israel augmented its border drug interdiction capabilities with a 200-person Customs Service Drug Unit. Israel's Ministry of Justice drafted new laws on mutual legal assistance and on money laundering that will be introduced to Israel's parliament (the Knesset) in 1996. The INP cooperates closely with foreign counterparts and has stationed drug-liaison officers in the US, Europe, and South America. Regional cooperation is growing: Israel and Jordan formally signed a police cooperation agreement in September 1995, and Israel, Egypt, and Jordan are discussing creating a subregional forum on drugs. Israel has signed, but still has not ratified, the 1988 UN Convention.

### II. Status of Country

Israel is not a drug producer or major transit country, but there is growing concern over drug abuse rates. The GOI believes drug use by youth has nearly doubled since 1992, to 9.2% from 4.8%, and is marked by the use of hard drugs not previously seen in Israel.

Israel's banking secrecy laws and liberal immigration policies create the potential for Israel to become a more significant regional money laundering center. GOI and police officials confirm that Israel's sophisticated financial infrastructure probably is being used by money launderers. Israel's Ministry of Justice has prepared and submitted to the Knesset money-laundering legislation. Under current law, criminals may not be prosecuted for acts of drug trafficking-related money laundering, but launderers may be prosecuted in conjunction with a criminal conviction and assets may be forfeited. In practice, there have been few cases prosecuted involving asset forfeiture.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** The Anti-Drug Authority (ADA) continued to expand programs of drug education and awareness, treatment, and rehabilitation and established additional rehabilitation centers in four districts in 1995.

**Law Enforcement Efforts.** The INP is responsible for enforcing drug laws and intercepting drug imports. Action against drug distributors on all levels is one of its highest priorities. The INP is solely responsible for drug-related crimes at the supply level and is an important component in the struggle to control and reduce the demand level. The INP works closely with other authorities in this effort.

Concerned that regional drug trafficking may increase along with improving regional trade, in 1995 the GOI inaugurated its new 200-person Customs Service Drug Unit (CSDU) that operates within, and is staffed by, the existing GOI Customs Service. Israel has started to introduce technologically advanced customs checks at all entry points, including Jordan River bridges. The CSDU plans to expand its drug detection canine program in 1996, and is considering establishing a regional counternarcotics training center in Israel.

**International Cooperation.** The INP cooperates closely with foreign counterparts and has stationed drug liaison officers (DLO) in Belgium, France, Germany, Hong Kong, Italy, the Netherlands, Russia, Turkey, Ukraine, and the US. The INP plans to place a DLO in Florida to work with DEA and cover South America. The GOI also is calling for a sub-regional forum on drugs to include Israel, Jordan, and Egypt initially, and eventually also include Lebanon and Syria.

**Agreements and Treaties.** The US and Israel signed a Memorandum of Understanding (MOU) in 1991, calling for bilateral cooperation to combat illicit narcotic trafficking and abuse. Pursuant to the 1991 MOU, the two countries have participated in annual meetings to coordinate counternarcotics efforts, drug abuse and awareness research programs, and cooperation in developing drug treatment and rehabilitation models. A customs cooperation agreement will be signed in early 1996. A Dual Taxation Treaty grants US tax authorities limited access to bank account information. Israel and the US are negotiating a bilateral mutual legal assistance treaty (MLAT). In the meantime, Israeli law permits legal assistance in the absence of a treaty. Israel is a party to the European Convention on Mutual Legal Assistance in Criminal Matters, the 1961 and 1971 UN Conventions and the 1972 Protocol. Israel has signed cooperative agreements with France, Hungary, Italy, Chile, and Turkey. Israel has signed, but not ratified, the 1988 UN Convention.

**Extradition.** Israel has extradition treaties with the US, the United Kingdom, France, and Italy. It does not extradite its own citizens for offenses committed after they became citizens. To ensure fugitives do not find safe haven in Israel, the GOI has applied the principle of activity personality jurisdiction and can try Israeli citizens for major crimes committed elsewhere.

**Corruption.** Drug-related corruption does not appear to be a problem in Israel.

**Cultivation/Production.** Israel neither cultivates nor produces illicit drugs.

**Drug Flow/Transit.** According to the INP Drug Intelligence Unit, Israel is not a narcotics transit country; INP seizure statistics indicate that much of the cocaine, heroin, LSD, and marijuana enters from Europe. INP asserts there has not been a single seizure of drugs exiting Israel nor has there been a seizure of drugs abroad that transited Israel. US DEA agrees with the assessment of the INP.



Enforcement agencies have only recently begun conducting routine drug inspections at points of entry/exit. A special INP drug unit, however, has operated at Ben Gurion International Airport for many years and has been successful in seizing drugs of all kinds. In 1992, the ADA proposed a revision whereby the Customs Service would be responsible for inspection and seizure of drugs entering Israel by couriers and cargo at all points of entry; in 1995, the Customs Service began operations at Ben Gurion Airport.

**Demand Reduction.** ADA continues to provide drug awareness programs in over one-third of all primary and secondary schools. The ADA, Arab local authorities, and the Red Crescent cooperate in conducting special programs to combat increasing drug abuse among the Arab minority population.

#### **IV. USG Policy Initiatives and Programs**

**Policy Initiatives.** USG efforts are designed to help Israel to build a self-sustaining, professional drug interdiction force, to enact effective anti-drug legislation, and to foster cooperation with Israel's neighbors on counternarcotics issues.

**Bilateral Cooperation.** In March 1995, the US Treasury Department and the GOI co-hosted a money laundering and asset forfeiture conference to brief key Israeli policymakers and to assist Israel to develop effective money laundering laws. US Customs followed up on this conference by sending a money laundering specialist on a technical assistance visit. In May, US Customs inspectors conducted a training program for customs agents from Israel and Cyprus. Based on the success of a detector dog program established at Ben Gurion Airport with USG assistance, the GOI plans to expand the program and set up its own detector dog training program. To that end, the GOI sent a trainer to the US in late 1995 to work with instructors at the US Customs K-9 center in Virginia. The US DEA office in Cyprus continues to foster a strong relationship with the INP.

**Road Ahead.** In 1996, Israel hopes to adopt legislation on mutual legal assistance and money laundering, and to sign a Customs-to-Customs cooperation agreement with the US. USG negotiators expect the next round of US-Israel mutual legal assistance treaty talks may take place in the first half of 1996.

## **JORDAN**

### **I. Summary**

Jordan's drug abuse problem, while growing, remains small. Strong religious and cultural influences continue to dictate that drug production, possession, and transportation are undesirable and against societal norms. Hashish is the most commonly used drug. Local authorities are primarily concerned with the illegal transportation of drugs through Jordan. Cooperation with neighboring law enforcement authorities, particularly Syrian, is good and continues to improve. Programs for rehabilitation and education exist but are subject to severe budget constraints. The Government of Jordan (GOJ) is attempting to consolidate and centralize drug rehabilitation programs. Cultivation or production of drugs exists on a very small, individual basis.

### **II. Status of Country**

Jordan is a party to the 1988 UN Convention and works to meet its goals and objectives. The USG does not expect significant changes in Jordan's minimal involvement in the transportation and production of drugs, money laundering and precursor chemicals manufacturing. There were no changes to Jordan's national drug policy in 1995 and budget, equipment and personnel constraints have adversely affected enforcement. International drug trafficking continues to grow slowly, in part due to the inadequate patrolling of Jordan's borders.

Abuse of over-the-counter drugs and amphetamines is increasing. Although stricter regulations concerning drug sale and distribution have made prescriptions harder to obtain, there is no system to collect or authenticate physicians' prescriptions. Illicit cultivation, production, distribution, financing, and money laundering are not considered major problems by the GOJ and appear to be rare.

Drug trafficking from Lebanon and Syria through Jordan to Egypt and the Gulf States is of concern. Jordan, Syria, Lebanon, and Egypt cooperate to stem the trafficking. PSD expects further improvements in the exchange of information and casework between police agencies will lead to more arrests and convictions.

### **III. Country Action Against Drugs in 1995**

The Public Security Directorate (PSD) and security services have excellent professional relationships with Interpol and US law enforcement agencies. Cooperation between Jordan and Syria to control cross-border drug trafficking continued to improve during 1995. Developments in the Middle East peace process facilitated cooperation between Jordan and Israel in law enforcement. The GOJ established formal lines of communication with Israel and worked closely with Israeli authorities over the last half of 1995.

on several drug investigations and seizures. The new treaty between Jordan and Israel calls for cooperation to combat and prevent criminal activities, including trafficking in illicit drugs, and the two governments formed a joint committee to negotiate the means to implement the relevant provisions. PSD reports no recent action based on committee recommendations. GOJ officials and Israeli counterparts have attended international training seminars and drug conferences in the region.

The USG and the GOJ concluded an extradition treaty in 1995. Drug seizures of illicit narcotics transitting Jordan continue to increase. Asset seizure has been in force since 1988 and is modeled after US practices and programs. Seized assets become property of the GOJ, and are often turned over to police and military units.

A school drug awareness program continues to educate children about drug abuse. Drug addicts and abusers are usually placed in rehabilitation programs.

Illegal trafficking continues to be pursued actively through law enforcement means, i.e., partial border control, enforcement of overland transportation regulations, surveillance of suspects, and harsh prison sentences for convictions. Border patrol operations are not efficient due to personnel, equipment, and funding problems. Law enforcement efforts by PSD grew moderately in 1995. GOJ authorities maintain liaison with US and foreign governments on narcotics matters and the PSD counternarcotic unit and DEA officials enjoy an excellent working relationship. Jordanian armed forces officials, who in 1994 expressed an interest in becoming more involved in drug enforcement, did not pursue this subject further in 1995.

Jordan has severe criminal laws to deal with official corruption. While corruption of GOJ officials is not seen as a major problem by PSD authorities, drug-related corruption is present among lower echelon officials in PSD and border enforcement units. Matters regarding police corruption are rarely made public.

#### **IV. US Policy Initiatives and Programs**

The USG offered Customs training in 1995 which Jordan declined. Nevertheless the GOJ has requested more training, money and assistance for 1996. Law enforcement cooperation is expected to continue.

## KENYA

### I. Summary

The highlight of Kenya's 1995 counternarcotics campaign was the seizure of a six-ton hashish consignment and the subsequent prosecution of public officials involved in the shipment. The Kenyan Government (GOK) also established an Inter-Ministerial Drug Coordinating Committee, which will devise a national counternarcotics strategy in 1996. Despite these positive steps and Kenya's continued commitment to the 1988 UN Convention, the country remained a staging area for international narcotics traffickers.

### II. Status of Country

Because of its location and infrastructure, Kenya is a transit center for European-bound heroin from Asia and hashish from Pakistan. It is also a transshipment point for methaqualone (Mandrax) from India bound for southern Africa. A 1995 initiative to make Mombasa a free port stands to raise the volume of sea trade and thus complicate efforts by Kenyan drug enforcement agencies to stem narcotics trafficking along the coast.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In July the GOK established the Inter-Ministerial Drug Coordinating Committee. The Committee is chaired by the Deputy Attorney General and consists of representatives from law enforcement agencies, the judiciary, and the ministries of Education, Finance, Home Affairs, and Social Services. The Committee has held several preparatory meetings for a symposium in early 1996, where a national counternarcotics strategy will be drafted. The Committee will then be responsible for implementing the strategy.

**Accomplishments and Law Enforcement Efforts.** Kenyan drug enforcement agencies confiscated roughly 29 kgs of heroin, 500,000 tablets of Mandrax, and 1,000 kgs of cannabis during the year. In possibly the largest seizure ever in east Africa, the Kenyan Anti-Narcotics Unit (ANU) in January 1995 seized six tons of hashish, worth approximately \$9 million in Nairobi. The ANU also arrested nine police officers and local officials for allegedly hiding the consignment, three of whom were eventually sentenced to prison terms. The trial proceedings in the case, however, never determined the owner of the hashish, nor the consignment's origin or destination. During a two-day sweep in June, ANU officers arrested 52 suspected foreign drug couriers, mostly Nigerians, who were immediately deported by Kenyan immigration. In July the ANU intercepted Mandrax worth approximately \$30,000 at Nairobi's Jomo Kenyatta Airport and charged a Kenyan in the case. Nevertheless, no major heroin or hashish traffickers were arrested during the year.

There were no significant changes in the structure or budget of Kenya's drug enforcement agencies (ANU, Customs, and Immigration). The ANU did, however, establish two five-man teams to investigate trafficking operations

in Nairobi and Mombasa. The principal obstacle to effective law enforcement is neither corruption nor lack of political will, but rather insufficient finances and equipment. The GOK received no bilateral or multilateral financial assistance for counternarcotics activities in 1995 other than the re-obligation of \$40,000 from the USG.

**Corruption.** The Kenyan Narcotic Drugs and Psychotropic Substances Control Act (or Kenyan Drug Control Act) does not cover drug-related public corruption. Theoretically, GOK officials who facilitate narcotics transactions or discourage the investigation of such acts are liable under the more general Anti-Corruption Act. In 1995, a local government administrator, a police chief, and a deputy police chief were each sentenced to 20 years in prison for possessing and trafficking a 6-ton consignment of hashish. During the year the press also alleged that unnamed influential politicians were involved in narcotics transshipments.

**Agreements and Treaties.** Kenya acceded to the 1988 UN Convention in 1992 and enacted implementing legislation in 1994 with the Kenyan Drug Control Act. Although Kenya does not have formal counternarcotics agreements with other governments, GOK law provides a framework for bilateral accords on mutual assistance. Kenya has long had an extradition treaty with the US.

**Cultivation/Production.** Cannabis (bhang) is cultivated illegally in Kenya, with commercial-scale production in western Kenya, the coastal resort town of Malindi, the Mount Kenya area, and the Tanzania-border region. Cannabis also grows wild in Kenya's forests and hilly terrains, which complicates eradication efforts. Though official statistics on bhang cultivation are not available, the GOK determines crop size by acreage and calculates crop yield by the number of individual plants per acre. Khat (miraa) is grown in the eastern province and sold throughout the country and in neighboring Somalia. The sale of Khat is legal in Kenya. No Mandrax production facilities have been discovered in Kenya since 1993.

**Drug Flow/Transit.** Due to its geographic location, port facilities, and comparatively well-developed transportation and telecommunications infrastructure, Kenya is being used increasingly as a transit point for traffic in hashish from Pakistan and heroin from Asia. The country's large community of ethnic South Asians also enables traffickers from that region to operate less conspicuously. The drugs typically originate in India, Pakistan, and Thailand and, in the case of Mandrax, transit primarily through Mombasa port or, in the case of heroin, through Jomo Kenyatta Airport or Mombasa's Moi Airport. The heroin is usually picked up by West African couriers, though lately the reluctance of Kenyan immigration authorities to admit Nigerians has forced trafficking organizations to recruit East African handlers. The heroin is then exported, often via West Africa but more commonly from Kenya directly to Europe and, to an extent, the United States.

For the third consecutive year ANU officers seized a sizable quantity of Mandrax tablets, indicating that Kenya has become a transit point for South Africa-bound Mandrax. Kenyan airport authorities also seized small quantities of South American cocaine from European couriers. According to the ANU, South American cocaine from traffickers in South Africa continues to be bartered for heroin in Kenya. The cocaine is then exported to Europe, while the heroin is shipped to the US.

**Demand Reduction.** According to a 1995 report on Kenya by the United Nations International Drug Control Program (UNDCP), drug abuse is widespread and rising. Heroin, cocaine, and Mandrax are being used increasingly in Nairobi and Mombasa and may be finding their way into other urban centers. Kenyan police estimate the number of heroin addicts nationwide to be above 1,000 in a population of approximately 28 million persons. There are no drug rehabilitation centers; drug abusers are currently treated in the psychiatric units of provincial hospitals. The inter-ministerial group plans to meet in early 1996 to formulate a national demand reduction strategy, which will form the basis for a public education program on narcotics. Since mid-1995 Kenyan television has aired short videos against drug abuse featuring well-known local music groups.

#### **IV. US Policy Initiatives and Programs**

**US Objectives.** As in previous years, the USG objective is to encourage GOK commitment to interdict illicit drugs and to boost its capabilities to do so.

**Bilateral Cooperation.** In March US Customs officials conducted a training seminar in Nairobi for ANU officers which concentrated on airport interdiction procedures. The program helped ANU officers to arrest a Kenyan heroin courier in April. A US Customs officer visited Kenya in December 1995 to plan another seminar in 1996 to focus on the Mombasa port. In April the USG re-obligated \$40,000 for use by the Kenyan drug enforcement agencies. The money had been frozen in 1992 following the GOK's failure to extradite an American narcotics trafficker. The ANU and the Embassy are presently discussing the possible purchase of narcotics detection equipment with these funds.

**The Road Ahead.** The USG hopes to play a role in the 1996 symposium planned by the Inter-Ministerial Committee. The USG will also continue training and information exchanges with the GOK with a view to increasing the frequency and size of narcotics seizures, particularly heroin and hashish.

## **LEBANON**

### **I. Summary**

Illicit opium and cannabis cultivation in Lebanon remains significantly diminished due to strict enforcement and highly effective continued eradication efforts by joint Lebanese-Syrian authorities. While small farms are still engaged in illicit cultivation in the Baalbeck-Hermel region, they harvested no sizable quantity of narcotic products compared to previous years' levels. Lebanese authorities continued efforts to destroy the illicit crops--generally cannabis for hashish production--and arrest those involved. As a result, there was an appreciable decrease in domestic cannabis cultivation, and almost no opium cultivation in 1995. Nevertheless, Lebanon did not successfully reduce the amount of narcotics imported into the country for the purposes of process conversion and re-export. It remains host to heroin processing facilities, serves as an access transit point for transshipments of cocaine, is vulnerable to money laundering operations due to bank secrecy laws that do not allow for law enforcement discovery, and is plagued by official corruption.

The GOL is in the process of acceding to the 1988 UN Convention but has yet to deposit its instrument of accession with the UN. In its accession document, however, the legislature includes reservations to the language on bank secrecy laws. Current banking secrecy requirements therefore continue to provide an environment conducive to both money laundering and corruption.

### **II. Status of Country**

The joint Lebanese-Syrian effort to eradicate cultivation of illicit crops in the Baalbeck-Hermel region, which was initiated in 1992, has produced notable results. Multiple sources reliably report the almost total eradication of these crops and no re-cultivation.

Lebanon nevertheless remains a ready locale for narcotics processing and transshipment. Opium from Southwest Asia, imported for process conversion into heroin, and cocaine from South America transit Lebanon for onward transshipment to Europe and the United States. Current bank secrecy laws greatly inhibit law enforcement investigation of money laundering and concomitant official corruption.

### **III. Country Action Against Drugs in 1995**

In 1995, Lebanese law enforcement activity made steady and measurable progress. In mid-year, Lebanese authorities located and eradicated an opium field of approximately one thousand square meters in the Baalbeck region. The Internal Security Force (ISF) made significant arrests, seized large quantities of heroin, morphine base, opium, cocaine, and chemical precursors, raided a number of processing labs in the Bekaa Valley region, and dismantled extensive trafficking rings. The ISF also established bureau field offices in Zahleh, Tripoli, and Sidon. Airport customs officials increased surveillance and search efforts, which resulted in numerous courier arrests.

The GOL's accession to the 1988 UN Convention--despite the reservations on articles 5 and 7, which deal with banking record disclosure--is a major step in Lebanese counternarcotics activity. Judicial authorities are aware of the prosecutorial difficulties arising from stringent bank secrecy laws as they relate to money laundering operations, but are optimistic that certain relaxations will be allowed for the pursuit of justice. The arrest in July of Ghassan Matraji on charges of money laundering, narcotics trafficking, arms dealing, and counterfeiting also marks a significant advance. Matraji's network is considered one of the largest and most lucrative in Lebanon.

Three law enforcement raids of heroin processing labs in the Baalbeck area netted 23 kilograms of heroin, 4.4 kilograms of morphine base, 187 kilograms of opium, over 100 kilograms of acetic anhydride, and 50 gallons of acetone. A narcotics network that had attempted to smuggle 130 kilograms of cocaine into Lebanon from Colombia for eventual transshipment was successfully prosecuted early in the year. In February, French authorities in cooperation with Lebanese law enforcement arrested four Lebanese nationals in connection with the seizure of 4.5 tons of hashish delivered at Marseilles. In March, nearly 5 tons of hashish were seized in three separate raids. Two and one-half tons of acetic anhydride were seized from a truck in Baalbeck. Three hundred fifty kilograms of hashish were seized from a car entering Syria from Lebanon, and another 460 kilograms were discovered in a cave near Akkar. Large smuggling networks for heroin, cocaine, and hashish were penetrated and dismantled. Police in Madrid seized 90 kilograms of heroin that had been processed in a lab in the Bekaa Valley. In August, customs officers at Beirut International Airport seized a shipment of 300 kilograms of cocaine from Brazil. While this list demonstrates the serious efforts of Lebanese law enforcement, it also highlights the significant extent to which Lebanon is used as a drug-processing locale and drug-transit route.

**Chemical Controls.** Lebanese authorities moved to initiate a comprehensive chemical control program to address internal control of chemical precursors. Reportedly, the public prosecutor issued an order restricting the importation and use of acetic anhydride to prevent diversion for use in the production of heroin.

**Eradication.** The eradication program in the Baalbeck-Hermel region has been largely successful.

**Production.** Heroin labs present in the Bekaa Valley process morphine base and opium imported from Southwest Asia through Syria. Authorities claim that the labs are few, small, mobile, and difficult to detect. These labs are generally within Hizballah-controlled regions, which complicates a concentrated and comprehensive detection effort.

**Distribution.** Heroin, cocaine, and hashish are distributed through long-established networks of Lebanese nationals operating in Europe, Canada, and the United States.



**Sale, Transport, and Financing.** No precise data are available; however, opium and morphine base normally transit the Lebanese-Syrian border via automobile and truck. Heroin and cocaine are generally exported through passenger couriers aboard international aircraft. Hashish is exported via truck through Syria, by ship to European ports, and through passenger couriers aboard international aircraft.

**International Agreements.** The United States does not have an extradition treaty with Lebanon. We are not aware of any drug-related extraditions from Lebanon to other countries during 1995. Narcotics offenses are prosecuted locally. Lebanon and the United States have no existing bilateral agreements on narcotics. The GOL is in the process of acceding to the 1988 UN Convention, albeit with reservations on bank secrecy disclosures, but has yet to deposit its instrument of accession with the UN.

**Demand Reduction.** The drug abuse rate in Lebanon reportedly is rising. Drug rehabilitation efforts and programs are sponsored through private donations. Three drug abuse prevention and treatment centers operate in Lebanon. The GOL's anti-drug campaign is focused on school education.

**Law Enforcement.** There has been a shift in Lebanese focus during the year toward more arrests of significant traffickers (in addition to low-level couriers) and the dismantling of drug networks. The arrest of Ghassan Matraji signals a sharper Lebanese perspective on major traffickers. The ISF has established narcotics bureau field offices in the north (Tripoli), south (Sidon), and east (Zahleh). Coordination from the central narcotics bureau in Beirut is good. Customs officials at Beirut International Airport and shipping ports have been trained in narcotics detection and have made numerous courier arrests throughout the year. Resources, however, remain inadequate.

**Corruption.** Public corruption remains a problem. While arrests and prosecutions have not been headlined this year--with the exception of the Shammass case (arrested in 1994)--some officers of the ISF were arrested for participation in narcotics trafficking.

#### **IV. US Policy Initiatives and Programs**

The USG continues to urge the GOL to: (1) concentrate law enforcement efforts on heroin processing labs; (2) exercise vigilance to stem opium and morphine base arriving from Syria; (3) continue eradication programs; (4) tighten port of entry controls; (5) launch a more focused and coordinated law enforcement response to large scale trafficking organizations; (6) promulgate effective legislation to preclude money-laundering activities; (7) enforce stringent end-user certification for precursor chemicals; and (8) establish an independent anti-corruption bureau.

**Road Ahead.** The GOL has made a tremendous leap forward in its counternarcotics effort. The continued eradication of illicit crops, heroin lab raids, network dismantling, the legislature's accession to the 1988 UN Convention, and major trafficker arrests all signal the priority the GOL has placed on the problem. Significant advances have been made in the law

enforcement arena; however, much remains to be done. The GOL needs to adopt more serious narcotics laws, sentencing guidelines, money-laundering legislation, greater chemical control, and anti-corruption statutes. As last year, we are guardedly optimistic on the future.

The almost twenty years of large scale unimpeded narcotics production activity in Lebanon appears to have ended. The focus now must be set on the downstream aspects of the narcotics trade as opium and morphine base continue to enter Lebanon from Southwest Asia through Syria for conversion into heroin. The heroin labs in the Bekaa Valley are small, mobile, well hidden, and consequently difficult to detect. Further complicating the already difficult efforts at lab discovery is the fact that they are largely in Hizballah territory where the GOL does not fully exercise authority or control.

## MOROCCO

### I. Summary

Morocco is a major producer and exporter of cannabis. Although statistics vary widely, it is estimated that over 1,500 tons are exported yearly to Europe, where it is consumed as hashish. In 1995, Morocco received considerable international publicity highlighting its status as one of the world's primary producers of cannabis. To combat this negative publicity, the Moroccan Government (GOM) continued to devote significant resources to interdiction efforts, occasionally working in tandem with European law enforcement. However, producers and large-scale traffickers continue to operate with virtual impunity due to budgetary constraints and widespread corruption.

### II. Status of Country

Cultivation and sale of cannabis provide the economic base for much of northern Morocco, where up to 74,000 hectares are devoted to cannabis production. Most of the cannabis produced in Morocco is processed into hashish, resin, or oil and exported to Algeria, Tunisia, and Europe. Estimates of the amount of the crop consumed domestically continue to range from 15 to 40 percent. European authorities report that up to 80 percent of all cannabis seized on the continent is of Moroccan origin. Moroccan cannabis does not currently have a significant effect on the United States.

While cannabis (kif) is the traditional domestic drug of choice, there is also a small but growing domestic market for drugs such as heroin and cocaine. In addition, these drugs reportedly enter Morocco for transshipment to Europe. Media reports on Morocco's role as a producer and exporter of drugs allege a connection between local drug traffickers and international cartels; however, evidence obtained in the relatively few seizures of hard drugs has not substantiated these reports.

The proceeds from narcotics exports are easily repatriated. The GOM makes no serious effort to trace drug or contraband money; there are in fact no laws against money laundering that would allow effective prosecution of offenders. Much of the illicit drug-trafficking revenue continues to be invested in real estate, especially in northern Morocco.

### III. Country Actions Against Drugs in 1995

**Policy Initiatives.** In September 1995 the Ministry of Interior (MOI) issued a paper outlining GOM counternarcotics initiatives. This paper essentially echoed the white paper that the MOI had presented in December 1994, which in turn was based on the counternarcotics initiative launched by King Hassan in 1992. The latest initiative again calls for crop substitution and economic development in the north. However, the investment necessary to carry out the initiative is conditioned on significant financial assistance from the European Union, which has not yet been forthcoming. In response to critical media coverage describing drug production and trafficking in Morocco, the Moroccan Parliament has called for the creation of an anti-drug commission.

**Accomplishments.** Morocco is a party to the 1988 UN Convention. While Morocco's Parliament has not yet passed legislation to implement the Convention, its laws do provide general authority to prosecute drug producers and traffickers. Morocco has successfully coordinated with European law enforcement in "controlled delivery" operations leading to at least one arrest in 1995.

**Law Enforcement.** As part of the King's 1992 initiative, 10,000 police were detailed to drug interdiction efforts in the north and the Rif mountains. Two hundred internal checkpoints are scattered throughout the region. Royal Army soldiers staff observation posts along the Mediterranean coast, and the Navy carries out routine sea patrols and responds to sightings by the observation posts. In addition, the GOM expanded cooperation with European law enforcement. From January to August 1995, 94 tons of resin, 5 kilograms of cannabis oil, 26.5 tons of cannabis leaf, 1.2 kilograms of cocaine, and 4 kilograms of heroin were seized in Morocco, according to MOI statistics.

**Corruption.** Corruption is believed to be widespread at all levels. The GOM recently launched a country-wide campaign against contraband.

**Agreements and Treaties.** The GOM's announced programs would, if fully implemented, bring it substantially into compliance with the 1988 UN Convention's goals and objectives; however, progress in that regard was minimal in 1995 and Morocco has failed to meet many of the Convention objectives. In a September 1995 policy statement on drugs, the GOM emphasized that the \$100 million it has earmarked to combat drug trafficking is a strain on the budget; it has called on the European Union (EU) to supplement these funds with up to \$5 billion in counternarcotics assistance.

A mutual legal assistance treaty between Morocco and the United States entered into force in 1993. In 1993, the USG sought assistance from the GOM in obtaining public records relating to the previous conviction in Morocco of a defendant then standing trial in the US for drug trafficking. The GOM responded in a timely and cooperative manner. In 1989, Morocco and the US signed a bilateral narcotics cooperation agreement. Morocco also has anti-narcotics and/or mutual legal assistance treaties with the EU, France, Spain, Germany, Italy, Portugal, and the United Kingdom. Since 1989 it has also had an agreement with the United States pledging joint cooperation in fighting drug trafficking and production. The GOM is party to the 1961 UN Convention and its 1972 Protocol, and the 1971 UN Convention.

**Cultivation/Production.** Most Moroccan cannabis is cultivated by small farmers in the northern or Rif region although some is also grown in the Souss valley in the south. Unofficial sources estimate that between 64,000 and 74,000 hectares were devoted to cannabis production in 1995 -- up substantially from the 5,000 hectare 1993 estimate and the 55,000-60,000 1994 estimate. These sources claim that the area under cultivation has increased by a factor of ten in the last decade. The GOM states that it is committed to the total eradication of cannabis production; however, it has yet to make a serious attempt at eradication.

**Drug Flow/Transit.** Although Morocco is reportedly used as a transshipment point for hard drugs such as Asian heroin and South American cocaine entering Europe, there were no hard drug seizures in 1995 to substantiate such claims.

**Demand Reduction.** The GOM does not acknowledge a significant hard drug addiction problem and does not actively promote reduction in domestic demand for cannabis. It has established a program to train the staffs of psychiatric hospitals in the treatment of drug addiction.

#### **IV. US Policy Initiatives and Programs**

**US Policy Initiatives.** Very small amounts of narcotics produced in or transiting Morocco reach the United States. US counternarcotics goals in Morocco are to encourage local efforts; to cooperate with GOM law enforcement officials to curtail production and transshipment of drugs; to provide training in law enforcement techniques; to promote GOM adherence to bilateral and international agreements; to provide support, as appropriate, for existing Moroccan-European cooperation in this area; and, to encourage greater international cooperation to control Moroccan production and export of drugs.

**Bilateral Cooperation.** Pursuant to the 1989 US-Morocco bilateral counternarcotics agreement, the US and Morocco have maintained a dialogue on counternarcotics issues. The US has provided training and counternarcotics information to Moroccan law enforcement authorities.

**The Road Ahead.** The US will continue to monitor the narcotics situation in Morocco, to cooperate with the GOM in its counternarcotics efforts, and, together with the EU, to provide law enforcement training, intelligence, and other support.

## **NIGERIA**

### **I. Summary**

Nigeria is the focal point for most West African trafficking organizations. Nigerian traffickers smuggle Asian heroin to the United States and Europe; they also transport South American cocaine to South Africa, Nigeria, and Europe. In addition, they ship cannabis--the only illicit drug grown in Nigeria--to Europe and other countries in western Africa. The Government of Nigeria (GON) has not adequately addressed corruption among most law enforcement agencies, thereby hindering counternarcotics efforts. The export of drugs from Nigeria to Liberia and other West African countries is of particular concern. Nigerian trafficking organizations are among the leading carriers of Southeast and Southwest Asian heroin into the United States. Last year, Interpol listed Nigerian couriers as the third largest heroin smuggling group in the world. Nigerian traffickers also recruit couriers of diverse nationalities, backgrounds, and ages.

The Nigerian trafficking organizations that control courier networks also run sophisticated money laundering operations. In response to increasingly vigorous international law enforcement, Nigerian drug organizations quickly adapt, find new means to evade detection, and alter and expand their heroin smuggling routes and markets.

### **II. Status of Country**

Nigeria made only marginal progress in addressing counternarcotics in 1995 and did not meet the goals and objectives of the 1988 UN Convention. During the first half of the year, the GON laid some of the groundwork for counternarcotics enforcement. The GON formulated a comprehensive drug control strategy for the first time in 1995 and passed a comprehensive money laundering decree at the end of February which enabled the seizure of 16 Lagos car dealerships suspected of money laundering. Unfortunately, the counternarcotics strategy lacks an adequate budget, extraditions are not being carried out, and there has been no significant movement against narcotics-related corruption at other than the lowest levels.

The one positive indigenous force working to combat drug trafficking in Nigeria was the Nigerian Drug Law Enforcement Agency (NDLEA), which shifted its focus from couriers to leaders of drug trafficking groups. The NDLEA arrested Nigerian drug traffickers in Liberia and escorted them back to Nigeria to stand trial. Pursuant to a USG request, the NDLEA arrested and expelled two major Nigerian traffickers to the US in 1995. Although the NDLEA arrested an additional nine fugitives pursuant to US requests, the GON ordered them released in December after having repeatedly blocked their extradition. The NDLEA has taken steps to address corruption problems within its own ranks. Due to more aggressive NDLEA counternarcotics efforts, some Nigerian drug trafficking organizations have moved operations to neighboring West African countries with established Nigerian contacts.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** The GON announced a national drug control strategy and passed a money laundering decree which provides for the seizure and forfeiture of drug-related assets such as the car dealerships seized by NDLEA. The first prosecution under the decree is being prepared. Nineteen narcotics officials were dismissed under the GON's 1995 "Drug Agent Corruption Decree."

**Accomplishments.** The NDLEA and other law enforcement agencies conducted small drug raids and seizures, primarily at airports, seaports, and border checkpoints. The GON increased its cannabis seizures and arrests of minor drug offenders. NDLEA got convictions for 278 of the 287 drug traffickers it prosecuted. NDLEA arrested and charged numerous drug traffickers and stopped transactions on bank accounts of some suspected money launderers. In December 1995, NDLEA arrested one Nigerian national carrying four kilograms of heroin. The arresting officers also seized the \$5,000 bribe offered them by the courier.

**Law Enforcement Efforts.** Nigeria's counternarcotics efforts remained inadequate. Operations continued to be hindered by the lack of cooperation among the NDLEA, police, and Customs. Although the current leadership of NDLEA attempts to weed out corrupt agents, rampant corruption in every other law enforcement agency persisted unabated. NDLEA screening and training of new staff continued to be inadequate. NDLEA efforts to cooperate with foreign embassies are stymied by the lack of broader GON cooperation. The GON created four additional narcotics tribunals. The NDLEA also constructed a new evidence storage facility and there are no reports of tampering or theft of evidence at the new facility. The NDLEA constructed a new holding cell at its Ikoyi headquarters and there have been no reported escapes.

According to Nigerian press reports, narcotics seizures and arrests declined during the first ten months of 1995 as compared to the same period in 1994. According to a report released by the NDLEA in late 1995, only half of the amount of "hard drugs" was seized during the first ten months of 1995 as was seized during the same period in 1994. In addition, 517 suspects were arrested on narcotics charges during the first ten months of 1995 as compared with about 690 arrests in the same period in 1994. Although the GON arrested several individuals suspected of money laundering, there have been no convictions. The GON took no steps to reduce cannabis production in the country.

**Corruption.** Although encouraging narcotics trafficking and money laundering are contrary to official government policy, rampant corruption within the GON facilitates such activity. The GON issued a "Drug Agent Corruption Decree" in 1995. NDLEA has already dismissed 19 agents under this decree and plans to formally charge six of them.

**Agreements and Treaties.** Nigeria is a party to the 1988 UN Convention, the 1961 UN Single Convention and its 1972 Protocol, as well as the 1971 UN Convention. The 1931 US-United Kingdom extradition treaty, which was made applicable to Nigeria in 1935, is the legal basis for USG extradition requests. The US and Nigeria signed a Mutual Legal Assistance

Treaty in 1989, but it has not been ratified by the US Senate. The GON and Nigeria Airways signed an air carrier agreement with US Customs in 1993. Although the GON proposed to enter into an asset sharing agreement with the United States, the US declined on the grounds that the GON proposal was not specific enough and that the GON had not established a workable foundation to implement its new money laundering laws.

**Demand Reduction.** There has been a rise in domestic drug abuse in Nigeria, along with the growth of drug trafficking. There was no credible demand reduction program in 1995.

#### **IV. U.S. Policy Initiatives and Programs**

**US Policy Initiatives.** Reduction of trafficking in illicit drugs by Nigerian citizens, particularly of heroin destined for the US, is the primary goal of US counternarcotics policy in Nigeria. Its realization depends on the willingness of the GON to arrest and extradite major traffickers, and to enforce anti-conspiracy laws that will allow the prosecution of the drug barons directing the couriers. The GON must improve operational cooperation. It also must make a realistic effort to stamp out corruption in Nigerian counternarcotics agencies. The USG has offered to assist the GON with training and information sharing.

**Bilateral Cooperation.** Cooperation between the US and Nigeria was far below USG expectations. Nigeria did not fulfill the conditions of its bilateral narcotics agreement with the US. The US will continue to seek the extradition of the nine major traffickers ordered released by GON authorities. In November 1995, DEA Lagos and NDLEA reactivated the US-Nigeria Joint Narcotics Task Force (JNTF). A DEA team travelled to Lagos in August to train a group of NDLEA members in basic law enforcement techniques.

**Road Ahead.** The USG will continue to stress to the GON the importance the USG attaches to narcotics control. Specifically, it will: a) press for the extradition of prominent traffickers and other Nigerians wanted in the US on drug charges; b) call for the investigation, arrest and prosecution of major traffickers, as opposed to confining efforts to apprehend couriers; c) press for aggressive investigation and other law enforcement efforts aimed at dismantling trafficking organizations; d) monitor GON willingness to share intelligence on the operations of trafficking organizations within Nigeria with the international community; e) advocate effective GON attacks on corruption and on the lack of coordination among its drug law enforcement agencies; f) seek the enforcement and strengthening of money laundering and asset seizure and forfeiture laws; and, g) encourage the reform of banking regulations to increase the integrity of financial transactions. The USG will continue to focus initially on training programs to strengthen the institutions and infrastructure supporting narcotics control in Nigeria.



## **SOUTH AFRICA**

### **I. Summary**

South Africa is emerging as a significant cocaine and heroin transshipment point. Cocaine from Latin America transits South Africa to Europe, and heroin from the Far East is shipped through South Africa for onward distribution to Europe and the US. Furthermore, South Africa ranks among the world's largest producers of cannabis, though the vast majority is destined for local and regional consumption and not international markets. South Africa also remains among the world's largest consumers of mandrax (methaqualone), which is imported primarily from India.

The South African Government (SAG) assumed a leading role in regional counternarcotics cooperation efforts in 1995 and hosted the South African Development Community-European Union (SADC-EU) conference on illicit cross-border drug trafficking in October. The SAG narcotics bureau (SANAB) is highly dedicated and competent but lacks sufficient manpower and resources. The SAG welcomes assistance and models techniques and methods along DEA lines. SANAB will post seven drug liaison officers abroad beginning in April 1996. Final parliamentary action to enable South Africa to become a party to the 1988 UN Convention is expected in 1996.

### **II. Status of Country**

South Africa emerged as a major transshipment point for narcotics trafficking after the transition to democracy in the early 1990s ended the country's international isolation. Contributing factors include its geographic position on major trafficking routes between the Far and Middle East, the Americas and Europe, the rapid expansion of international air links, a well-developed transportation infrastructure, and modern international telecommunication and banking systems. Long, porous borders and weak border control, including undermanned ports and numerous secondary airports, give traffickers nearly unlimited access to South Africa.

South Africa ranks among the world's largest producers of cannabis (known locally as dagga). It is largely consumed locally, though some is now exported to the Netherlands and the United Kingdom. There is also a concern that Indian mandrax manufacturers are shifting their laboratories to countries in Africa, including South Africa.

### **Part III. Country Action Against Drugs in 1995**

**Policy Initiatives.** Although high-level SAG officials profess a strong commitment to counternarcotics, the counternarcotics battle is left largely to the SANAB, which underwent major restructuring in 1995. There is as yet no national counternarcotics strategy nor inter-ministerial body to consider narcotics issues.

**Accomplishments.** A significant new initiative will place SANAB drug liaison officers in Thailand, India, Pakistan, Nigeria, Kenya, Zambia, and Brazil beginning in April 1996. In October, the SADC-EU drug conference produced a protocol committing countries to law enforcement cooperation, information sharing, and harmonization of laws and judicial procedures. Through a three-year UNDCP project, the South Africans will share their expertise by setting up drug-sniffing dog programs in Kenya, Tanzania, Uganda and Zambia.

**Extradition.** South Africa's 1947 extradition treaty with the US covers drug trafficking; however, there are significant gaps in its coverage including divergent definitions of conspiracy. Technical problems with the extradition provisions of the 1988 UN Convention have delayed South Africa's accession. The SAG is considering either proceeding to become a party while lodging a reservation to this article or amending South Africa's extradition laws to bring them into conformity with the Convention prior to accession.

**Money Laundering.** South Africa is the major financial center in the region and its relatively sophisticated financial sector harbors great potential for money laundering. The SAG has prepared anti-money laundering legislation which will be put before Parliament in 1996.

**Chemical Controls.** South Africa also lacks a control regime for its large and sophisticated chemicals industry but there is of yet no evidence that the country is becoming a significant source of precursor chemicals. However, SANAB believes that South Africa has become a transit point for precursors.

**Law Enforcement Efforts.** A major restructuring of the police services, and in particular, the National Crime Investigation Service (NCIS, of which SANAB is a part) took place in 1995. SANAB is recognized as the most effective drug law enforcement agency in the region and its counternarcotic investigations have earned international praise. As part of the NCIS restructuring, specialized units are now being formed to counter international organized crime syndicates operating in South Africa. South Africa is also starting to make efforts to bring its Customs and Excise bureaus into narcotics interdiction. The SAG has begun to tighten controls at secondary airports, particularly those receiving international flights. In 1995, law enforcement cooperation between SANAB and neighboring countries led to a multi-ton hashish shipment seizure in Maputo and a major mandrax syndicate arrest in Swaziland. In just over four months after completing a US Customs airport interdiction course in mid-August 1995, SANAB officers seized approximately 60 kgs. of cocaine transiting South Africa's airports (versus 70 kgs. seized country-wide in all of 1994).

**Corruption.** Officials accused of corruption are prosecuted under the South African "Corruption Act of 1992." There is no evidence of narcotics-related corruption among senior South African officials. However, low-level corruption may facilitate the transport of narcotics across South Africa's borders.

**Agreements and Treaties.** Aside from the extradition treaty, South Africa does not have any other counternarcotics-related agreements with the US. The SADC-EU protocol on combatting illicit cross-border drug

trafficking was concluded in late 1995 and is now under consideration by the SAG for signing at a mid-1996 SADC meeting. The SAG also signed bilateral counternarcotics cooperation agreements with Mozambique and Swaziland in 1995. New legislation provides the administrative framework whereby confiscation and restraint orders made in other countries can be enforced in South Africa. Legislation is also being prepared to provide a framework for South Africa to negotiate mutual legal assistance treaties with other countries.

**Cultivation/Production.** Cannabis is a traditional crop, particularly for rural South Africans, and is mostly destined for local consumption. However, SANAB has noted a new trend of cannabis exported to the Netherlands and the United Kingdom, where it is bartered for drugs such as Ecstasy and LSD. Local statistics indicate a large area of land under cultivation for cannabis. The police have established an eradication program to destroy the cannabis by spraying herbicides (glyphosate) on targeted areas. SANAB plans to spray up to 12,600 hectares during the 1995/1996 seasonal spraying program which began in October 1995.

**Drug Flow/Transit.** Nigerian groups are known to play a large role in controlling trafficking operations via South Africa, though Indian, Pakistani and Chinese groups are also active. South Africa is the destination for a large amount of the mandrax smuggled from India through other eastern and southern African countries. Statistics also indicate a sharp rise in cocaine smuggling from Brazil to the region, large amounts of which are then re-exported to Europe. Heroin from Southwest and Southeast Asia is routed to South Africa through Malaysia, Singapore, the Philippines, Indonesia, India, and Dubai, with a sizeable quantity believed to be passing through Singapore's container port. It is then sent onward to the US and Europe. We do not have sufficient data to ascertain whether trafficking through South Africa has a significant effect on the US.

**Demand Reduction.** Problems with mandrax and dagga abuse among South Africans are not new, but authorities are particularly concerned about the increasing availability of crack cocaine in urban areas. Demand reduction programs are the responsibility of the South African Department of Welfare and Population Development and approximately \$20 million is spent annually to treat drug and alcohol abuse. The SAG attaches a relatively higher priority to prevention activities and can be expected to allocate budget resources accordingly.

#### **IV. US Policy Initiatives and Programs**

**Bilateral Cooperation.** Although the US and South Africa do not have a bilateral counternarcotics agreement, general bilateral cooperation on narcotics matters is excellent. Cooperation between the DEA and SANAB is particularly close and successful.

**Policy Initiatives.** In 1995, the USG urged early accession to the 1988 UN Convention, endorsed regional cooperation, encouraged South African Customs to become more engaged in narcotics interdiction, and urged the SAG to strengthen internal counternarcotics coordination efforts and to develop a national strategy to counter the narcotics threat.

**Programs.** USG counternarcotics assistance is directed primarily toward improving the effectiveness, coordination, and regional cooperation of South African counternarcotics institutions. During 1995, USG funding was also used to provide training assistance and modest grants to two South African NGOs to meet the treatment and prevention needs of the under-served black population. In February 1995, a US city police commissioner was brought to Cape Town to advise the Western Cape Minister of Police Services on combatting drugs and gangs more effectively. In January 1995, a DEA asset forfeiture seminar brought together prosecutors and SANAB, Customs, Inland Revenue, and Central Bank officials to discuss the implementation of laws on money laundering and the seizure of drug-related assets. DEA also conducted a basic enforcement school for SANAB and regional counternarcotics officers. This program provided the only specialized training in narcotics investigative techniques that SANAB officers received and it was praised by senior South African law enforcement officials. In August, US Customs conducted a regional airport interdiction course and two seaport interdiction courses. These courses trained both SAG Customs and SANAB officers in interdiction techniques, and also included participation by officials from five other countries in the region.

**The Road Ahead.** The USG will continue to assist South Africa to strengthen its counternarcotics institutions and capabilities with the goal of limiting the use of South Africa as a transshipment point for illicit narcotics. The USG will also promote efforts to improve regional cooperation, encourage Customs involvement in interdiction activities, and urge the SAG to develop a national counternarcotics strategy and to finalize its accession to the 1988 UN Convention.

## SYRIA

### I. Summary

Syria is a transit point for narcotics flowing through the Middle East to Europe and, to a lesser extent, the United States. In addition, Syria, with some 30,000 Syrian troops in Lebanon, has a responsibility for helping Lebanese authorities to combat drug production and trafficking through Lebanon. In 1995, Syria/Lebanese cooperation resulted in substantial reduction of cannabis cultivation in the Bekaa Valley and virtual elimination of opium cultivation.

The Syrian Government (SARG) has reiterated its willingness to pursue all information regarding the possible production of narcotics in Lebanon and Syria. The Syrian authorities, in cooperation with the Lebanese authorities, moved successfully against one heroin laboratories operating in Lebanon in 1995 although other labs continue to operate there. There were a significant number of arrests in Syria for drug-related offenses, but despite reports of individual Syrian military personnel profiting from the drug trade in Lebanon, the SARG initiated no corruption investigations and brought no charges against any Syrian security or military personnel during the year.

The United States does not provide Syria with bilateral assistance and does not support loans for Syria in multilateral institutions.

Syria is a party to the 1988 UN Convention. Syria does not have a bilateral narcotics agreement with the United States.

### II. Status of Country

There were continuing reports that Syrian military and security personnel personally profited from the drug trade in 1995. Syria remained a transit site for drugs processed within Lebanon or imported from third countries. Lebanese hashish transits Syria en route to Egypt and the Gulf region. Syria did not prevent the transit of opium and morphine base from South West Asia through Syria to heroin processing laboratories in Lebanon.

### III. Country Action Against Drugs in 1995

**Policy Initiatives.** There were no new policy initiatives in 1995, but the Syrian Government continued to implement its stiff 1993 drug law. Syrian counternarcotics police arrested almost 1,800 suspects on drug charges. There were also at least four ongoing cases from previous years in which the defendants faced the death penalty for trafficking. The cases have not yet concluded; the defendants remain in jail. A general amnesty law issued in late 1995 specifically excluded narcotics-related offenses.

**Accomplishments.** Joint Syrian and Lebanese eradication efforts in the Bekaa Valley further reduced cannabis cultivation and practically eliminated opium cultivation in 1995. There were no known instances of narcotics-related extradition from Syria in 1995. Syrians detained in

Lebanon for drug-related offenses are turned over to Syrian military officials by the Lebanese for detention and prosecution in Syria. The UNDCP maintains a small program in Syria to train counternarcotics officials and enhance interdiction capabilities. In January 1995 the UNDCP provided three weeks of training (by British officers) to Syrian customs and counternarcotics officers.

**Law Enforcement Efforts.** In December 1995, the Syrians, in cooperation with the Lebanese authorities, seized an operational heroin laboratory in Lebanon, confiscating 23 kg of heroin, 125 kg of opium, plus heroin precursor chemicals, including acetic anhydride. Syrian officials deny the existence of drug processing facilities in Syria. In late 1995, the Syrian authorities made three sizeable seizures: two of cocaine (3 kg and 2 kg) en route from Latin America to Lebanon via Damascus International Airport, and one of hashish (700 kg) en route from Lebanon to Germany overland through Syria. In February 1995, the Syrians also seized 855 kg of hashish en route to Jordan. One law enforcement tactic employed by the Syrian authorities was the use of "controlled deliveries" to Jordan and other locations.

**Corruption.** Credible reports of Syrian military protection for drug traffickers persisted in 1995 despite official claims to the contrary. The SARG asserted that there was no evidence on which to base the investigation of any Syrian military personnel for involvement in drug trafficking. Syria does not as a matter of government policy encourage the production or distribution of drugs.

**Agreements and Treaties.** Syria is a party to the 1988 UN Convention and the 1961 UN Convention and its 1972 Protocol, as well as the 1971 UN Convention. Syria maintains counternarcotics trafficking agreements with Cyprus, Germany, Iran, Jordan, Lebanon, the Netherlands, Saudi Arabia, and Turkey. Syria and the US do not have a narcotics agreement, nor is there an extradition treaty between the two countries. Syria is a member of Interpol.

**Drug Flow/Transit.** Opium and morphine base are reported to transit Syria to Lebanon for process conversion into heroin, and onward transshipment to Europe and the United States. The SARG believes that raw opium may enter Lebanon by sea directly through Lebanese ports. A new transit route for cocaine from Latin America to Lebanon via Damascus International Airport by Lebanese-origin holders of Brazilian or Australian passports emerged in 1995. Overland routes through Syria provide a means for smuggling Fenethylline to Saudi Arabia and other countries in the Middle East. The quantities of narcotics seized by Syrian authorities failed to reflect the full scope of the smuggling, transit, and distribution of drugs and precursor chemicals in and through Syria and Lebanon.

**Demand Reduction.** In 1995, the SARG launched a media counternarcotics campaign leading up to the June 26 International Counternarcotics Day. As a rule, the local newspapers cover drug seizures carried out by the Syrian authorities. Social stigma and strong family traditions combine with strict laws to limit drug abuse. The SARG maintains two short-term treatment centers and is planning a third. Private doctors also provide treatment although there does not appear to be any coordination between private and public centers.

#### **IV. US Policy Initiatives and Programs**

**Policy Initiatives.** The USG emphasizes to the SARG the need to (1) continue its efforts to end all drug crop cultivation in those areas of Lebanon in which it maintains a presence, (2) expand its joint efforts with the Lebanese to dismantle drug laboratories and interdict shipments of narcotic base materials and precursor chemicals, and (3) end any involvement, active or passive, of individual Syrian officials in the drug trade.

**Bilateral Cooperation.** The US and Syria do not have a bilateral narcotics agreement; however, DEA officials based in Nicosia and US Embassy officials in Damascus maintain liaison with the Syrian national police anti-narcotics unit. In addition, U.S. officials periodically share their views and recommendations with the Ministers of Foreign Affairs and Interior. The SARG exchanged information concerning ongoing investigations to interdict narcotics coming from Lebanon.

**The Road Ahead.** The USG will continue to encourage high-ranking officials of the SARG to find and close drug processing facilities in areas of Lebanon where Syrian forces are present and to end the involvement of Syrian officials in any facet of drug trafficking. The USG will also continue to encourage the SARG to sustain the positive efforts on eradication it has made to date and to expand its collaboration with the Government of Lebanon to attack drug production and transit in the region.

## OTHER AFRICA

**Algeria** faces relatively modest problems of drug consumption and trafficking, although domestic consumption and the transit trade in cannabis and pharmaceuticals appeared to be increasing until the border with Morocco was closed in September. Cannabis appears to be the only narcotic cultivated or produced in Algeria, and is grown for the domestic market. The Algerian government estimates that 95 percent of the narcotics brought into Algeria, primarily hashish from Morocco, are reexported to Europe or the Middle East.

Narcotics-related corruption does not appear to be a problem in Algeria; competing priorities are the major obstacles to effective law enforcement. Algeria has signed the 1988 UN Convention and attempts to meet its goals and objectives, but it is hampered by a lack of resources and political unrest.

Algeria averages more than 2,500 seizures annually. The majority take place in the Western regions of the country near the Moroccan border and involve hashish or cannabis from Morocco. In April, customs in Oran seized 132 kgs of hashish destined for Europe; in June, police intercepted 80 kgs arriving from Morocco. Algerian government demand reduction efforts focussed on encouraging youth associations to work in poorer neighborhoods to discourage drug consumption.

Algeria is a member of the Customs Cooperation Council, in which European and Maghreb countries exchange information on drug trafficking. Authorities cooperate with enforcement officials in other countries on narcotics-related issues; Algerian police also cooperate closely with Interpol.

**Benin.** Bordering on the major drug transit country of Nigeria, Benin is also a transit point, primarily used by Nigerian drug networks, for heroin from Asia and cocaine from Brazil en route to Europe and the US. Seizures rose in 1995, as awareness and training of law enforcement officers increased, but remained at low levels. Due to budgetary restrictions, Benin's borders are only lightly patrolled and therefore vulnerable to illegal drug transit. Benin has antiquated drug laws, mandating a maximum of two years imprisonment, which the government is in the process of revising. The Government of Benin (GOB) is a party to the 1961 UN Single Convention and the 1972 Protocol thereto as well as to the 1971 UN Convention. It is not yet a party to the 1988 UN Convention.

The GOB signed a narcotics Letter of Agreement with the US in August 1995. Beninese officials cooperated with USG officials who were conducting investigations during 1995. President Soglo announced the establishment of an "SOS Corruption" hotline for citizens to report allegations of official corruption. Nonetheless, low pay continues to make police and customs officials vulnerable to bribery.



Benin hosted a US Customs drug interdiction program in 1995, and has agreed to host an FY96 regional drug school to promote increased counternarcotics cooperation within the West African region.

**Botswana** is not a major producer or consumer of illegal drugs although police in 1995 made several seizures of cocaine, an indication that a limited quantity of this substance is now being consumed domestically or is in transit to other countries, particularly South Africa. Local drug production is limited to marijuana, which is consumed domestically. Mandrax (methaqualone) use is declining. Botswana is a transit country for narcotics destined for South Africa. The police narcotics squad, also responsible for combating the illegal diamond trade, is generally underequipped and understaffed. Corruption of government officials is uncommon and reliable government salaries minimize the potential for corruption, though lower echelon Customs and police officials are sometimes vulnerable to bribes. The Government of Botswana has been an enthusiastic proponent of regional counternarcotics cooperation. Botswana is a party to the 1961 UN Single Convention and its 1972 Protocol and the 1971 UN Convention. Although it is not a party to the 1988 UN Convention, Botswana's non-participation appears to be the result of bureaucratic lethargy rather than any opposition to the text. Neither money laundering nor the production of precursor chemicals have been detected in Botswana.

**Ethiopia.** Shipments of Asian heroin move through the regional airport at Addis Ababa to Europe and North America via the Middle East and West Africa. The Government of Ethiopia (GOE) has taken a leading role in narcotics interdiction in Eastern Africa. For example, whereas in late fall of 1993, there were upwards of one hundred Nigerians on each arriving EAL flight from a heroin producing country, that number has been reduced to four to five per flight, apparently in response to improved Ethiopian interdiction efforts. Drug penalties are not severe in Ethiopia although plans to revise and strengthen the drug laws have been reported. Official corruption relating to the drug trade is not considered a problem. Ethiopia has no narcotics agreements with the US, but does have one with Eritrea and may expand the agreement regionally. Khat (a plant known to be an habituating stimulant) is legal in Ethiopia; no figures on production are known. Seven mt of khat reportedly are legally exported to Djibouti on a daily basis. The active ingredient in khat is listed as a psychotropic substance in the 1971 UN Convention. Cannabis is grown and consumed locally. In 1995, over 77 acres were destroyed in GOE raids. The GOE conducts counternarcotics public awareness programs. In view of the possible need to retrain drug sniffer dogs provided to the GOE by the USG, sniffer re-certification programs are planned for 1996. A USG-sponsored regional narcotics conference will be held in Addis Ababa in March 1996, with 17 African nations expected to participate. No figures exist on local production of narcotics nor is there any evidence of money laundering in Ethiopia given Ethiopia's archaic banking system. The GOE is a party to the 1988 UN Convention.

**Lesotho** is not now, and is unlikely to become, a significant center for narcotic drug production, trafficking, money laundering or precursor chemical production. Cannabis is grown in remote mountain areas where conditions are inhospitable to other crops. There are no reliable estimates of areas under cultivation. Lesotho is a transit point for narcotics entering South Africa from East Africa and Asia. The Lesotho Mounted Police believe that small quantities of Mandrax (methaqualone) and South American cocaine are involved. Statistics on seizures of cannabis during 1995 are not available, but are estimated to be up sharply from the 50,864 kg seized in 1994. In 1996, the Government of Lesotho's (GOL) Interministerial Committee for Coordination on Narcotics Matters will be tasked with strengthening Lesotho's weak counternarcotics law. While Lesotho is not a party to the 1988 UN Convention, it is considering adherence to a regional cooperation arrangement on narcotics. The "Draft Protocol on Combating Drug Trafficking in the Southern African Development Community" would require parties to criminalize drug abuse, narcotrafficking, money laundering and other attendant activities.

**Liberia.** The civil war, which began in 1989, has caused a total breakdown in civil administration, the cessation of social services, and the disruption of economic activity. Liberia also suffers from insufficient numbers of trained police officers and a lack of financial resources. These factors, combined with porous borders, make it extremely easy for drugs to transit into and through Liberia. To respond to the threat, the Government of Liberia (GOL) in 1995 established the National Interministerial Drug Committee (NIDC) to coordinate counternarcotics efforts. Unfortunately, given the overall security situation and the almost total absence of financial resources and lack of clear mandate, the NIDC and the Liberian National Police (LNP) have been severely hampered in their counternarcotics efforts. Additionally, the effectiveness of the LNP has decreased markedly as a result of almost six years of civil strife. Drug-related corruption has been reported among police and military officials. However, there remains a dedicated small group of police officers and GOL employees attempting to combat drug-related activities. The LNP and the judiciary are currently in the process of reconstituting their organizations. The LNP estimates that in 1995 illicit drugs valued at over \$2.5 million were seized and subsequently destroyed. Nigerian traffickers, including military officers assigned to the ECOMOG peacekeeping force, have reportedly been involved in shipping illicit drugs to Liberia both for domestic consumption and, so far in modest amounts, for onward shipment to the US and Europe. At the end of 1994, Liberia agreed informally with 16 West African countries to increase regional counternarcotics cooperation. However, there are no known bilateral or multilateral narcotics agreements yet in force. In 1995, the USG provided funds to assist the LNP counternarcotics office through purchase of technical equipment and office supplies. The USG will also provide counternarcotics equipment and training, valued at \$30,000, to the LNP in 1996. Governmental corruption and mismanagement continue to be a major problems. The GOL is in the process of acceding to the 1988 UN Convention, which the GOL Parliament ratified in June 1995.

**Mauritius** has experienced steady economic growth and rapid social change over the last ten years, an unfortunate by-product of which has been the emergence of a local market for illicit drugs. In addition, the country's emerging role as a center for financial services and its booming tourism industry make it vulnerable to illicit money laundering activities. In 1995 Mauritius passed a new law concerning dangerous drugs and a constitutional amendment that permits authorities to hold drug trafficking suspects incommunicado for up to 36 hours. A money laundering bill was introduced in Parliament but not acted upon. Heroin consumption continues to be a local problem. Police and Customs officers lack resources to halt the trade, much of which is believed to arrive from Pakistan and Afghanistan via India. Heroin traffickers arrested in 1995 have carried only small quantities, suggesting the drugs were destined for local use rather than transshipment. Most of those arrested were Mauritian or Indian nationals. Mauritius has signed, but not ratified, the 1988 UN Convention. A Mauritian doctor attended a program on drug treatment at the US National Institute on Drug Abuse in 1995 under USG auspices.

**Seychelles.** The Republic of Seychelles is a collection of small islands spread over a vast expanse of the western Indian Ocean with a population of approximately 75,000 persons. The only domestic narcotics problem in the Seychelles is the consumption and limited production of cannabis. There are, however, grounds for concern that the country may develop into a money laundering center. The language of the recently-passed Economic Development Act, ostensibly designed to attract foreign investment, would make the Seychelles a potential safehaven for money launderers and encourage other illicit activity. The international community has reacted negatively to the proposed legislation. According to the media in the Seychelles, the Seychelles in response to growing pressure may reverse this controversial law in 1996. Seychelles is a party to the 1988 UN Convention.

**Tanzania** is not a major producer or exporter of narcotic drugs, nor is it a major center for money laundering. Marijuana use is widespread in rural areas, while urban youth are reportedly experimenting with South American cocaine and Asian heroin more frequently than in past years. With direct and indirect air routes to and from Europe, Asia and South Africa, as well as two major seaports (Dar es Salaam and Zanzibar), Tanzania is strategically located along established and developing narcotics trafficking routes. Concern is growing about the apparently increasing use of Tanzania as a transit point from the Asian subcontinent to South Africa for Mandrax (methaqualone) from India and other drugs such as heroin and cocaine. Most narcotics enter Tanzania from Pakistan or India via air or sea routes, or from Kenya overland. Onward shipments are then frequently moved overland to Zambia, Mozambique, Malawi and South Africa. Tanzanian seaports and airports lack any form of structured drug control procedures or trained personnel, thus leaving the door wide open to international narcotics trafficking. Very little information is available on money laundering, again reflecting the lack of training of local personnel. Tanzania's parliament passed The Prevention of Illicit Traffic in Drugs Act during its last session. The bill toughens drug crime penalties and creates a commission charged with developing an overall drug strategy. The UNDCP will be starting a three-year project in Tanzania in 1996. Tanzania is a party to the 1988 UN Convention.

**Uganda** is increasingly being used as a transshipment point for heroin and hashish from Southwest Asia to other nations in Africa and Europe. Shipments are sent primarily via air to Entebbe International Airport and are then repackaged and sent onward via road or rail. The Ugandan counternarcotics unit continued to expand with the help of UNDCP and Egyptian narcotics officers. Uganda expects to have in place legislation required by the 1988 UN Convention upon passage of a proposed counternarcotics bill in 1996. Authorities have delayed passing the legislation until after national elections to be held during the first half of 1996. Current laws are weak and provide only a maximum penalty of five years in jail and/or a \$5,000 fine for narcotics offenses. Uganda hosted the Heads of Narcotics Law Enforcement Agencies in Africa Conference in October 1995. Uganda shares information informally with other African nations but has no formal international agreements to do so. The highlight of Uganda's counternarcotics campaign in 1995 was the seizure of a half kilo of heroin smuggled into Uganda by a Nigerian courier. Other law enforcement activities in 1995 consisted primarily of arrests of local drug users and enforcement of pharmaceutical laws. While there is no specific evidence indicating corruption of public officials related to narcotics trafficking in Uganda, given the low salaries of customs and other officials, corruption cannot be ruled out.

Authorities conduct counternarcotics awareness campaigns for youth. In addition, briefings are provided to rural populations through existing traditional leadership structures to encourage villagers not to cultivate marijuana and khat. Marijuana and Khat are cultivated for local consumption and small amounts are exported to neighboring countries.

Uganda does not have effective chemical control mechanisms in place. Authorities are candid about their lack of expertise in investigating money laundering cases effectively.

**The United Arab Emirates (UAE)** is a transit country for narcotics shipments and narcotics precursor chemicals from South Asia to other nations in the region. The UAE is also an attractive spot for money launderers due to its strategic location, lack of money laundering controls, and active free trade zone. Legislation passed in 1994 makes the Ministry of Health responsible for monitoring and registering all imports of chemical precursors. The UAE is currently working on legislation to control money laundering, and is expected to pass legislation imposing the death penalty for drug traffickers in early 1996. The UAE maintains an active public education campaign focused on the social costs of drug abuse and addiction. Government counternarcotics departments seek to enhance personnel expertise through regional and international training. In November 1994, the US DEA conducted a training seminar on combatting money laundering for UAE police officials. While the UAE is not a signatory to any bilateral narcotics or extradition agreements with the US, authorities cooperate fully with international requests for information and assistance. The UAE is a signatory to the 1988 UN Convention and authorities appear fully committed to the goals and objectives. Narcotics-related corruption is not believed to be a problem.

**Yemen.** The Republic of Yemen Government (ROYG) Criminal Investigative Department (CID) believes that drug use and trafficking is rising in Yemen. Although the ROYG is a party to the 1988 UN Convention, its police forces are insufficiently equipped and trained to manage treaty objectives and supporting legislation on money laundering and precursor chemicals has yet to be enacted. The poor state of Yemen's police forces and the ROYG's inability to control its frontiers make it attractive as a transit country. Senior government officials state that Yemen is a transit point for illicit drug shipments (heroin, cocaine, hashish and amphetamines) to Saudi Arabia and Oman from South Asia. While corruption is an endemic problem due to the poverty of the country, no senior officials are suspected of narcotics-related corruption. Yemen is not a significant producer of illicit narcotics, but does cultivate Khat - a flowering, evergreen shrub or small tree, whose leaves are chewed for their amphetamine-like euphoric effect. Khat is legal and widely used in Yemen and the ROYG has taken no action to restrict it. Yemenis consider Khat a benign, social substance comparable to substances such as alcohol in the West.

It is unlikely that Yemen's rudimentary banking system could provide drug traffickers secure and reliable facilities for clandestine money laundering operations. There are no asset forfeiture procedures used by ROYG law enforcement agencies. No extradition treaties are in force with other parties to the 1988 UN Convention. Yemen has no programs aimed at the control of precursor chemicals. Although the ROYG has not initiated programs geared toward reducing the demand for illicit substances, social mores as well as the poverty of the population suppress such demand. US Customs provided an enforcement training program in Yemen in December 1994, under the sponsorship of UNDCP.

**Zambia** is a significant transit point for mandrax (methaqualone) produced in India and destined for South Africa. Production of drugs appears to be limited to cannabis on small farms by peasant farmers for local consumption. The Zambian Drug Enforcement Commission (DEC) is the lead agency for narcotics law enforcement and functions independently within the Ministry of Home Affairs. DEC officials fear that drug traffickers will take advantage of Zambia's strategic location on major trade routes to use it as a transshipment point for Southwest Asian heroin en route to Europe and South Africa. The Bank of Zambia and the DEC are increasingly concerned that money laundering is rampant in the banking industry. They have proposed tightening banking standards through legislative action. The Government of Zambia (GOZ) publicly denounces drug trafficking and supports the efforts of the DEC. The DEC used strengthened narcotics laws in 1995 to confiscate the property of traffickers and cooperate with regional officials to enhance counternarcotics efforts. The GOZ has taken some steps to address official corruption related to narcotics trafficking and expects to begin work with UNDCP to develop a counternarcotics master plan in 1996. The US has provided training assistance and small grants for equipment to the DEC. Zambia became a party to the 1988 UN Convention in 1993.

**Zimbabwe** is not an export producer of illicit drugs, but its location and relatively developed infrastructure make it a convenient drug transshipment point. Regionally grown marijuana destined for Europe and South Africa as well as mandrax (methaqualone) from India and cocaine from South America transit Zimbabwe's borders and airports in significant quantities. Zimbabwe's police estimate that 70 percent of the marijuana in Zimbabwe has its source outside its borders, notably in Malawi. Domestically, marijuana continues to be the most commonly used illicit substance; though its use is illegal, rural tribal groups consume marijuana openly in culturally-accepted traditional settings. Urban youth, exploiting this availability and acceptance, consume the drug at night clubs, where cocaine and LSD are also sporadically available.

Zimbabwean law enforcement has worked aggressively against traffickers with some notable success. In 1995, one seizure by Zambian authorities of over three tons of Malawian marijuana destined for the Netherlands has so far resulted in two arrests. In March 1995 Zimbabwe Republic Police (ZRP) raided a Pakistani's apartment and seized 250 grams of heroin, the first significant seizure of heroin in Zimbabwe in over two years. While widespread drug-related corruption has been reported among customs officials stationed along the country's land borders, no such corruption has been documented against members of the ZRP. Zimbabwe is a party to the 1988 UN Convention and participates actively with its neighbors in regional counternarcotics efforts. Zimbabwe and the USG are continuing to negotiate an extradition treaty, and they signed a technical counternarcotics cooperation agreement in 1993. In 1995, Zimbabwe received equipment from the US and US Customs sponsored airport interdiction training.

# **CHEMICAL CONTROLS**





## CHEMICAL CONTROLS

### Introduction

Perhaps no element of a comprehensive counternarcotics strategy has more potential than chemical control. At the same time, perhaps none is more difficult to implement. The concept is simple. Synthetic drugs, heroin and cocaine all require chemicals for their manufacture or refining. The chemicals used for these purposes are manufactured in legitimate commerce and then diverted to the illicit production of drugs. A system of controls, implemented by national laws and regulations, to prevent the crossover of chemicals from legitimate commerce to clandestine drug manufacture would deny traffickers raw materials indispensable for drug production.

Chemical control has been internationally accepted. Article 12 of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988 UN Convention) establishes the obligation for parties to the treaty to control their chemical commerce to prevent diversion to illicit drug manufacture. The annexes to the Convention list 22 chemicals as those most necessary to drug manufacture and, therefore, subject to control.

The Chemical Action Task Force (CATF), mandated by the Group of Seven Industrialized Nations and chaired by the U.S., developed practical recommendations for governments to consider in enacting national laws and regulations to comply with the chemical control obligations of Article 12. The CATF noted that international cooperation between enforcement and regulatory agencies is essential to the effective implementation of the national laws and regulation. Information exchange to verify the legitimate end-use of proposed transactions in regulated chemicals is the key element of this cooperation.

Chemical control is complicated by the nature of the chemicals involved and, in many cases, their availability from many sources. Precursor chemicals are those used in the manufacture of synthetic drugs. They become part of the final product, such as amphetamines for which ephedrine is major ingredient.

Ephedrine and ten other precursors listed in Annex 1 of the 1988 UN Convention are targetted for international control under the convention. Many of these precursors are traded in relatively small, pharmaceutical-size consignments, and are controlled by many governments as pharmaceuticals. However, the quantities needed to manufacture significant volumes of illicit synthetic drugs are only a small percentage of this limited legitimate commerce, complicating the regulatory process.

Essential chemicals are used in the refining of coca leaf into cocaine and crack and opium into morphine and heroin. They are generally widely used industrial chemicals, such as sulfuric acid and acetic anhydride, traded internationally in large quantities. They are manufactured and traded by many countries. The 11 essential chemicals most important to illicit drug manufacture are listed in Annex 2 of the 1988 UN Convention and targetted for international control. Although coca and opium refining requires significant quantities of essential chemicals, as with precursor chemicals, this is a small percentage of the vast international commerce in essential chemicals.

Transactions in chemicals liable to diversion represent a relatively small market for major chemical manufacturers and traders. The U.S. experience in the administration of the U.S. chemical control law, the Chemical Diversion and Trafficking Act, demonstrates that they will cooperate with a well-administered regulatory and licensing regime that imposes a limited administrative burden and does not compromise commercial confidentiality. They also can assist enforcement authorities by flagging suspicious transactions such as those involving cash payments, new and unknown customers, unusual delivery requests, etc.

The size and complexity of international commerce in chemicals, however, facilitates the evasion of control by illicit, or less conscientious, operators, frequently brokers.

### **Diversion Methods**

The four most common diversion methods are:

1. Chemicals are diverted to illicit drug manufacture from domestic chemical production. This requires the capacity to manufacture the needed chemicals coupled with poor domestic controls on them. It is more common in synthetic drug manufacture which requires only chemicals. Cocaine and heroin type drugs also require coca and opium as essential raw materials.
2. Chemicals are imported legally into the drug-producing country with a valid import license and subsequently diverted. In this case, the importing country does not adequately investigate the legitimate end-use of the chemicals before issuing the import license, and the exporting country makes no independent effort to ensure legitimate end-use, accepting the import license at face value.
3. Chemicals are imported into a neighboring country, diverted, and smuggled into the drug-producing country. This occurs because the conduit countries do not adequately investigate legitimate end-use before authorizing imports, nor do chemical source countries ensure the legitimate end-use of regulated chemicals before authorizing shipment.
4. Chemicals are manufactured in one country, diverted from domestic commerce, and smuggled into neighboring drug-producing countries. Inadequate internal controls and weak border security make this type of diversion possible.

All these methods are embellished by the use of front companies, false invoicing, mis-labelling, use of free trade areas, multiple trans-shipments, bribery, and any other device that will conceal the ultimate recipient. Also, as authorities implement measures to prevent diversion by one method or from one source, traffickers react by shifting among diversion methods and source countries. Smuggling is now increasing as international cooperation among enforcement authorities enhances the effectiveness of controls over import and export transactions.

Recycling of solvents, particularly by cocaine traffickers, is another tactic used by traffickers to overcome chemical controls. The process involves distilling (boiling) the solvents away from the waste byproducts in them resulting from their use in cocaine production. According to DEA tests, by using fractionization towers or distillers, traffickers can separate and recover up to 80 percent of the solvents used in the production process. Solvents can be recycled five to seven times by relatively simple distillation techniques. The extent of recycling is unknown, but it cannot be utilized until the chemicals to be recycled have been diverted using one of the methods noted above.

### **1995 Chemical Control Developments**

By 1995, most major chemical and drug producing countries had chemical control laws and regulations on the books adequate to meet the chemical control obligations of the 1988 UN Convention. In some cases not all 22 chemicals listed in the convention were regulated, but the chemicals most pertinent for each country were covered. Since many of these laws and regulations were based on the recommendations of the CATF, they were compatible, thereby facilitating international cooperation, a key CATF objective.

The need for international cooperation, most importantly information exchange, became more apparent in 1995 as individual control regimes became more efficient and traffickers were forced to seek alternative sources of supply. To preclude this, information on proposed transactions needs to be shared among enforcement authorities so "shoppers" can be identified and thwarted. However, there is a reluctance on the part of many governments to share information on proposed transactions except with the importing government which would be aware of the transactions through its import control procedures.

In pursuing an export, no crime has been committed by the exporter; the purpose of sharing information on proposed transactions with other governments is to tap the experience of others to assist the exporting or importing government in determining the legitimacy of the transaction. The vast majority of transactions are innocent, and in highly competitive international chemical commerce, exporters do not want the confidentiality of their transactions compromised by sharing with third parties. Some governments have laws precluded sharing information received as part of a regulatory process.

During 1995, at the policy level, we continued to urge adoption of chemical control regimes by governments that do not have them, and wider and more effective international cooperation in their implementation by those that do. Concurrently, at the enforcement level, we continued to strengthen cooperation and communication among enforcement agencies. These efforts are mutually supportive: policy level direction to enforcement agencies improves cooperation among them, and improved cooperation among enforcement agencies, whether directed or self-initiated, demonstrates that cooperation is possible without compromising legitimate commercial interests.

In September 1995, DEA, with financial and administrative support from the European Commission and with the cooperation of the Turkish Government, held a major chemical control conference in Istanbul. Delegations from 22 Middle Eastern, Balkan, European, Central and South Asian countries attended. The purpose was twofold: to impress upon the new governments of Central Asia to need to adopt chemical control regimes in conformity with international standards, and to improve cooperation among all the participating enforcement agencies. It is too early to assess the long-term results of the conference, but shortly thereafter a DEA team visited Tajikistan, one of the participating governments, to find a government receptive and eager for effective law enforcement cooperation.

In December 1995, the European Union on behalf of its member states, signed chemical control agreements with Bolivia, Colombia, Ecuador, Peru, and Venezuela, to improve cooperation and communication between governments to ensure the legitimate end-use of proposed transactions in regulated chemicals. Engaging major European chemical producing and trading countries in chemical control directly with their Latin American trading partners was an objective spelled out in the interagency U.S. Strategy To Control the Diversion of Drug-Essential Chemicals approved in 1994.

International cooperation among enforcement agencies also improved, particularly when it was directed at specific, identifiable cases of diversion. For example, Indian authorities moved quickly to effectively control commerce in Indian-manufactured ephedrine and pseudoephedrine when it was demonstrated that it was being routed through Guatemala and Mexico to methamphetamine labs in California. The Indian Government now notifies DEA of every export of ephedrine and pseudoephedrine, and DEA is able to research its data banks and advise the Indian authorities of possible risks of diversion regardless of the recipient country.

Cooperation between US and German enforcement authorities is also good. In 1995, it resulted in the suspension of several large shipments of ephedrine and essential chemicals intended for Central and South America. Czech and Swiss authorities have also been quick to react when presented with evidence of diversion from shipments originating or transshipping these countries.

Our goal is to continue and expand the ad hoc cooperation until sharing of information on proposed transactions in regulated chemicals is routine. We need to demonstrate that all sources of information need to be queried, not only those in the exporting and importing countries, and that information sharing can occur without jeopardizing commercial confidentiality.

With this objective, we proposed to the Dublin Group in October 1995 a meeting of chemical control experts from interested governments to consider practical measures to improve cooperation, particularly, information sharing. The meeting will seek to identify the most important items of information that need to be shared, the means of protecting and transmitting the information, and the procedures and extent to which governments can participate in such as system while respecting their national information protection laws.

Is chemical control worth the effort? Drug trafficking is a clandestine enterprise, and hard facts on the impact of chemical control are difficult to obtain. However, there have been some reports. In the summer of 1995, before India's stricter controls were fully in place, a ton of ephedrine could be purchased on the black market for approximately \$54,000; in December 1995, the same amount was demanding a price of approximately \$80,000. Acetic anhydride prices in Pakistan are reportedly going up because of improved Indian controls over diversion and smuggling from its domestic production. Our Embassy in Lima, Peru reports that diminished availability and increased prices of essential chemicals due to enforcement efforts appears to have contributed to a severe reduction in the earnings of coca farmers (who as the primary coca leaf processors are the main consumers chemicals essential to cocaine base processing).

These results, which indicate greater difficulty and expense for traffickers in manufacturing drugs, were obtained largely through regulatory measures involving fewer personnel and much less risk to them than more traditional law measures directed at stopping the drugs after they are manufactured. Despite the difficulties of implementation, chemical control is contributing now to our comprehensive drug control strategy, and has the potential to make a greater, cost-effective contribution as the national control regimes of other governments become more effective and international cooperation evolves and improves.

## COUNTRY REPORTS

Country reports have been prepared on the major source countries for chemicals used in the manufacture of illicit narcotics. The countries in this section are those with large chemical manufacturing and trading industries that have significant chemical trade with drug-producing regions, and those considered to be sources of chemicals diverted from domestic commerce for local illicit drug manufacture or smuggling into neighboring drug-manufacturing countries. Many other countries manufacture and trade in precursor and essential chemicals, some of which are diverted to illicit drug manufacture, but they are not now considered major source countries. These designations are reviewed annually.

Because of the important role drug-manufacturing countries have in narcotics chemical control, a separate section summarizes the status in countries relying on chemical diversion for the significant manufacture of cocaine and heroin.

The 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988 UN Convention) is the major agreement for international cooperation in chemical diversion control. It includes provisions for maintaining records of transactions in the 22 precursor and essential chemicals listed Annexes 1 and 2 of the Convention.

### Major Chemical Source Countries

#### Europe

The European Union (EU) and its administrative arm, the European Commission, have been active collaborators in international cooperation to regulate chemicals to prevent their diversion to illicit drug manufacture. The European Union Chemical Regulation, originally promulgated to meet the chemical control provisions of the 1988 UN Convention, has been amended to include the more comprehensive recommendations of the Chemical Action Task Force. The amended regulation became binding on all EU members on January 1, 1993. The EU regulation includes provision for record keeping on transactions in the chemicals listed in the 1988 UN Convention, requires a system of permits or declarations for exports and imports of regulated chemicals and authorizes governments to suspend shipments of them. EU member states implement the regulation through national laws.

In 1995, the European Commission followed through to completion initiatives begun in 1994 to negotiate chemical control agreements with Latin American importers of European-origin chemicals. Agreements were signed in December 1995 with Bolivia, Colombia, Ecuador, Peru, and Venezuela.

Germany and The Netherlands remain the two major European source countries for chemicals used in the illicit manufacture of drugs. They have large chemical manufacturing and trading sectors and significant trade with drug-producing areas.

**Germany** is the world's foremost manufacturer of pharmaceuticals. In addition, virtually all types of precursor and essential chemicals are manufactured and/or traded by the vast German chemical and pharmaceutical industry.

Germany is a party to the 1988 UN Convention and it has implemented the EU chemical regulation that came in effect in December 1993. The industry generally complies with the implementing laws and regulations and most companies are cooperative with law enforcement agencies in investigations of suspected diversion of both controlled and non-controlled chemicals.

US/German law enforcement cooperation in chemical control is good, including sharing of information on suspicious chemical transactions in the normal course of this cooperation. During 1995, close cooperation between the DEA Frankfurt regional office and the German Federal Police Chemical Division Group resulted in the suspension of several large shipments of ephedrine and essential chemicals intended for Central and South America.

**The Netherlands** has laws and regulations in conformity with the 1988 UN Convention, to which it is a party, and the EU chemical regulation. These include record keeping, export licensing procedures, requiring information about the shipment, the buyer and the shipper, and import permits.

The Dutch Economic Control Service, which operates under the Ministry of Economic Affairs, has the authority to investigate suspected violations of chemical control laws. The seizure of the chemicals and up to six years in jail are the penalties for violations. The Dutch cooperate closely with the US on chemical control. In 1994, procedures were established for the exchange of records of transactions in regulated chemicals. Law enforcement information is also exchanged in the normal course of cooperation.

### **Latin America**

**Argentina** is a party to the 1988 UN Convention, and a 1989 law meets the chemical control requirements of the Convention for record keeping and reporting, import and export licensing, and the authority to suspend shipments. A Presidential Decree signed in September 1991, strengthens the law and requires all manufacturers, importers and exporters of regulated chemicals to be registered with the counternarcotics secretariat. Distributors of chemicals are not required to register, limiting the effectiveness of chemical control programs.

Cocaine essential chemicals, such as ether and acetone, are manufactured in Argentina, and large quantities of other essential chemicals are imported. Despite the laws and regulations on the books, the agency charged with enforcement lacks adequate staff and funding to effectively control diversion, providing a source of chemicals for smuggling into neighboring drug-producing countries, primarily Bolivia. Diversion for local drug manufacture is limited to small "kitchen" sites in Northern Argentina, as well as in the province of Buenos Aires. Argentine chemical records are shared with U.S. authorities in the course of normal law enforcement cooperation.

**Brazil** is the largest producer of chemicals in South America, and it has been a source of ether and acetone used in illicit cocaine manufacture. Brazilian manufactured precursor and essential chemicals have occasionally been used in illicit laboratory operations in Brazil, but they are primarily smuggled into Bolivia, Colombia and Peru for illicit cocaine manufacture. The Brazilian Federal Police seized about 5000 liters of regulated chemicals in 1995.

Brazil is a party to the 1988 UN Convention. In 1995, new chemical control legislation took effect and implementing regulations were published. The law places eleven chemicals under control, including record keeping, and sets minimum thresholds of half a liter or 400 grams for reporting. It substantially increases, over the previous Presidential Decree on chemical control, administrative penalties for non-compliance, including seizure of chemicals and fines.

Businesses dealing in regulated chemicals pay registration fees to the Federal Police. These fees are placed in a holding fund, eighty percent of which is available to police for chemical control and drug enforcement activities.

The US/Brazil counterdrug agreement signed in April 1995 provides the basis for bilateral cooperation in many areas, including chemical control. Implicit in this cooperation is the sharing of information in the course of implementing US and Brazilian chemical control laws.

**Mexico** manufactures and imports precursor and essential chemicals used in the production of heroin, cocaine and synthetic drugs. European precursor and essential chemicals also transit Mexico, and it has become a primary entry point for ephedrine used in the manufacture of methamphetamine.

Although a party to the 1988 UN Convention, Mexico has not adopted laws and regulations fully implementing its chemical control provisions. The Mexican Government proposed legislation in 1993 based on the OAS Model Chemical Regulation which would meet these provisions, but the Mexican Congress adopted only minor changes in the general health law, which still lacks sufficiently severe penalties to be an effective control on drug-related chemicals. There is no specific record keeping and reporting requirements on all 22 chemicals in the 1988 UN Convention, no system of permits or declarations for imports and exports of all the chemicals, nor authority for officials to suspend or seize shipments of all the listed chemicals.

Available chemical control information is exchanged through the bilateral working group on chemical control established by the Mexican Attorney General's office and DEA. The working group carried out investigations and seizures in 1995 that document the large scale diversion of ephedrine in Mexico.

## **Asia**

**China's** status as a major chemical producer and exporter makes it a target for traffickers seeking to illegally procure precursor and essential chemicals; for example, Burmese traffickers seeking chemicals for heroin manufacture. Control of precursor and essential chemicals is also a problem in coastal provinces. In September 1995, police in Fujian Province seized 8.5 kilograms of the synthetic drug ice which required the diversion of precursor chemicals for its manufacture.



China is a party to the 1988 UN Convention and has regulations meeting the Convention's provisions for record keeping and reporting, import/export controls, and seizure of the 22 chemicals listed in the Convention, but mechanisms for detection and enforcement remain weak.

Chinese officials have sought a dialogue with U.S. chemical control officials on means to strengthen bilateral cooperation, although there is no formal procedure for making Chinese Government records available to U.S. officials. In May 1995, Chinese officials also agreed to expanded cooperation with the Russian Interior Ministry to fight cross-border crime, including the smuggling of ephedrine.

**India.** Acetic anhydride is manufactured in India, diverted, and smuggled into Pakistan and Burma for illicit heroin refining. Some of it may reach heroin labs in Afghanistan. India also produces some precursor chemicals used in the local manufacture of synthetic drugs, and exported and diverted abroad to illicit drug manufacture.

India is a party to the 1988 UN Convention, but it does not have implementing laws and legislation covering all the chemicals listed in Annexes 1 and 2 of the Convention. Since 1993, acetic anhydride has been controlled throughout the country, and reports of rising black market prices for this heroin essential chemical in Pakistan indicate the controls are having an impact on diversion and smuggling. As of November 30, 1995, authorities had seized 7,962 liters of acetic anhydride, compared with 23,855 liters in 1994 and 19,758 liters in 1994. Combined with rising black market prices, this would indicate there has been less diversion from domestic production.

Precursor chemicals and synthetic drugs, principally methaqualone, are illegally exported from India, or exported and subsequently diverted to illicit drug manufacture. The Indian Government has placed controls similar to those on acetic anhydride on n-acetylanthranilic acid, the primary precursor for methaqualone. In Bombay at the end of November 1995, Indian authorities seized two tons of mandrax tablets (the street name for tableted methaqualone), 2.8 tons of methaqualone and one ton of their precursor chemicals.

Indian authorities have been extremely cooperative with DEA in monitoring the manufacture and export of ephedrine and pseudoephedrine in response to U.S. concerns over its diversion and use in the manufacture of methamphetamine. In November 1994, The Indian Government issued a specific decree that established controls over their export. Indian authorities now notify DEA of every export of these two precursors and DEA is able to advise the authorities of the risk of diversion regardless of the recipient government.

## **Major Cocaine and Heroin Producing Countries with Significant Chemical Diversion**

### **Latin America**

**Bolivia** produces sulfuric acid, hydrochloric acid, sodium hydrochloride, and lime, but most of the chemicals used for processing cocaine base or cocaine hydrochloride originate in Argentina, Brazil or Chile, either smuggled across porous borders or diverted after being legally imported. Coca growers have become more involved in processing coca leaf into cocaine products, as well as the smuggling of chemicals for this purpose.

Bolivia is a party to the 1988 UN Convention and has the legal basis for implementing its chemical control provisions. The regulatory framework for implementation, however, is incomplete. The chemical control regime needs to be rebuilt from the ground up, something that is already underway. The specialized chemical police unit grew substantially in 1995, adding to its ranks several officers with strong backgrounds in counternarcotics intelligence. The unit opened new offices in three key chemical-trafficking regions and it has been given an increased role in auditing and investigating consumers of regulated chemicals.

In December 1995, Bolivia signed a chemical control agreement with the European Union to improve cooperation in the end-use verification of proposed transactions in regulated chemicals. Of more immediate significance, information sharing with Chile has led to vastly improved cooperation and the seizure of large amounts of chemicals heading towards Bolivia from Chilean ports.

**Colombia** is a party to the 1988 UN Convention and Colombia's public law 30 of 1986 and subsequent resolutions meet or exceed the provisions of the Convention. The list of regulated chemicals is more extensive than those in the Convention, and there are requirements for record keeping and reporting and import and export authorizations. The government has the authority to deny such authorizations.

Despite this, Colombia remains the world's largest producer of cocaine, indicating widespread evasion of the chemical control laws. With its limited chemical industry, the bulk of these chemicals come from abroad, either diverted after being legally imported or smuggled from neighboring countries. The government is seeking to strengthen cooperation with chemical source countries. In December 1995, the government signed a chemical control agreement with the European Union. It has an existing agreement with the U.S.

The essential element of these agreements is the exchange of information on proposed transactions in regulated chemicals to ensure their legitimate end-use prior to shipment from the exporting country. If legitimate end-use cannot be established, the shipment should not be authorized. Colombia does not now have a system to perform adequately end-use checks or other chemical control procedures.

The Colombian government's five-year national anti-narcotics plan recognizes this by including among its objectives, the following goals:

- perfect the administrative control system for precursor and essential chemicals to hinder their diversion and smuggling,
- establish technical mechanisms for identifying chemicals entering through ports,
- quantify the legitimate chemical requirements of national industries, and
- measure the quantity of chemicals entering the market from all sources.

**Peru.** Peruvian law satisfies the chemical control provisions of the 1988 UN Convention, to which the country is a party. Record keeping and reporting on the chemicals included in the Convention are required, a system of permits and declarations for imports and exports exists and the government has the authority to seize or suspend shipments. A 1992 government decree identified thirteen chemicals or categories of chemicals as subject to the controls applicable to cocaine processing and subject to the same penalties as trafficking in cocaine.

Since 1993, the agencies responsible for implementing Peruvian chemical control laws and regulations have cooperated in a single regulatory and enforcement unit. In 1995, the regulatory system covered effectively all licit activities in the Lima area. Plans are in process to extend regulatory jurisdiction through regional offices in other important cities, but institutional factors continue to constrain the government's ability to ensure compliance with chemical control laws throughout the national territory. Nevertheless, diminished availability and increased prices of coca essential chemicals, together with other enforcement activities, appears to have contributed to a severe reduction in earnings of coca framers who, as coca leaf processors, are the main consumers of essential chemicals.

The U.S. and Peru signed a chemical control agreement in 1990, which entered into force in 1992. Cooperation and information exchange under the agreement and in the normal course of law enforcement cooperation is excellent. In December 1995, Peru signed a chemical control agreement with the European Union.

## **Asia**

**Burma** is a party to the 1988 UN Convention and has laws implementing the Convention's major provisions dealing with chemical control, including provisions for the seizure of illicit chemicals and the arrest of those trafficking in them. The fact that Burma is the world's largest producer of illicit heroin indicates that despite the laws, traffickers have little difficulty obtaining the chemicals they require.

Burma's geography and geographic location facilitates this. Most of the chemicals are smuggled across the borders with China and India and, to a lesser extent Thailand, into to remote heroin producing areas. Laws and regulations over chemical commerce will not stop the clandestine smuggling. Border controls will; in one operation in May 1995, the military intelligence and police seized 721.5 gallons of acetic anhydride entering Burma from China's Yunnan Province.

**Pakistan.** Heroin is manufactured in Pakistan using essential chemicals smuggling in relatively small lots from India via train and cross-desert caravans. Larger quantities come through the port of Karachi and significant shipments of acetic anhydride reportedly have been intercepted recently in Central Asia destined for Afghanistan, possibly for use in heroin refineries along the Pakistani border.

Pakistan is a party to the 1988 UN Convention but does not have a chemical control regime fulfilling all the chemical control provisions of the Convention. The emphasis is on acetic anhydride, a key heroin essential chemical. Controls over the single licit manufacturer of acetic anhydride are good and progress is being made in controlling smuggling from India, but the government has difficulty identifying illegal shipments through the port of Karachi and smuggling from Afghanistan.

Nevertheless, acetic anhydride seizures were up to 5496 liters (the amount required to produce approximately 5500 kilos of heroin) through the first nine months of 1995. This is an increase of 110 percent over the final figures for 1995.

**Turkey.** Smuggled morphine base is illegally processed in Turkey into heroin for internal and export markets. A dramatic surge in 1995 of seizures of smuggled acetic anhydride, a key heroin essential chemical, and the discovery and destruction of eight heroin labs, indicates traffickers have increased processing activity.

The Turkish Parliament ratified the 1988 UN Convention in 1995, but implementing legislation for the Convention's chemical control provisions has not been adopted. Current law imposes control on acetic anhydride and Turkish authorities enforce it vigorously. In 1995, about 53 tons of acetic anhydride were seized, including a seizure of 12.8 tons from a Dutch registered truck at the Bulgarian border. (The customs guards had received INL-funded training.)

US/Turkish cooperation in narcotics law is good. With specific regard to chemicals, the Turkish Government strongly supported a regional chemical control conference hosted by DEA/Turkey in Istanbul in September 1995. Officials responsible for chemical control from 22 European, Middle Eastern, and Central and South Asian countries attended. It was funded and conducted by DEA's Office of Diversion Control and the European Commission.

**FINANCIAL CRIMES  
AND  
MONEY LAUNDERING**



## EXECUTIVE SUMMARY

### THE YEAR IN REVIEW

There were a number of significant developments in the money laundering sphere in 1995:

- Presidential Decision Directive announced in October through which US agencies intend to identify and, if necessary, impose sanctions on the most egregious offenders among governments and banks which analysis indicates are facilitating the movement of proceeds of a variety of serious crimes, including drug trafficking, arms smuggling, sanctions violations and other offenses;
- agreements on standards and objectives reached through the communique issued at the conclusion of the Summit of the Americas Ministerial Conference on Money Laundering, which established an action plan for the 34 governments of this Hemisphere;
- continued progress of the Financial Action Task Force, including the conclusion of the first round of mutual evaluations of each of its 26 members; consideration of proposals to update FATF's universally-accepted 40 recommendations to reflect new typologies and methodologies; the beginning of evaluations of members of the Caribbean FATF; the further enhancement of the Asian outreach program; the creation of a common forum for major international bankers and government policymakers; and the convening of an international conference of financial intelligence units;
- continued effectiveness of US agencies in cooperation with foreign governments on major money laundering cases; and
- several financial center governments, such as the Bahamas and Panama, adopted broad, new anti-money laundering policies and/or laws, while a number of governments were in the final stages of presenting/adopting new legislation.

On October 21, 1995, President Clinton signed Executive Order 12978 utilizing the sanctions authority of the International Emergency Economic Powers Act (IEEPA) for the first time against 80 designated individuals and businesses found to be significant foreign narcotics traffickers, including those who assist in laundering trafficker proceeds via financial transactions. The Order blocks the assets in the United States and US banks overseas of these traffickers, their front companies and individuals acting on their behalf and prohibits US persons from commercial and financial dealings with them. The Treasury Department published a list of target companies and individuals and notified US companies and banks to block their assets and prohibit trade with them.

Even as these impressive initiatives were undertaken, the problems confronting policymakers and enforcement agencies were becoming ever more complex and pervasive.

## **MONEY LAUNDERING: A CHANGING SCENARIO**

The number of governments which have ratified the 1988 UN Convention continued to increase in 1995. Many important financial centers have now adopted legislation to curb drug-related money laundering. However, too many priority financial centers have still not adopted needed legislation or ratified the Convention. There is also a substantial question whether the drug-trafficking-oriented money laundering laws which many governments adopted in the earlier part of this decade are adequate, given recent developments in money laundering practices and new technologies used in banking.

Organized crime groups are increasingly a factor in major money laundering schemes -- and the multiple sources of their proceeds compounds the difficulty of linking the monetary transaction to a unique predicate offense like drug trafficking. Moreover, criminal organizations have distinct patterns of operation which vary from one part of the globe to the next. Russian "mafiya" groups have enlarged their presence in the Western Hemisphere, and are becoming as much a concern as the traditional Italian/Sicilian "mafia", Colombian cartels or the Asian triads and yakuza.

Meanwhile, an increasing number of drug traffickers do not directly manage the laundering or conversion of their proceeds, but rely predominantly on professional money brokers.

Such brokers are increasingly crafting effective schemes to evade normal monitoring, detection and reporting devices.

To understand money laundering as it is practiced today on a global basis, one has to appreciate money as a commodity. Professional money launderers differ little in this respect from corporate money managers. A corporate money manager enters the money markets of various countries where the corporation will need national currencies during the next year and buys/sells currencies in a constant effort to improve the manager's average position at the time of payment. Similarly money launderers use a bidding system to buy/sell drug proceeds, especially US dollars. Just as a sound investment portfolio will contain stocks, bonds and other monetary instruments, the money brokers vary their holdings.

**How Money Is Laundered.** Like institutional investors who put a percentage of their money into hedge funds, money brokers and the drug traffickers and other criminals who employ them collaborate to minimize risk. The Cali Cartel, for example, minimizes risk by selling a substantial portion of the drug proceeds it earns from the sale of cocaine in the United States. Mexican traffickers in heroin, cocaine and marijuana do the same, often selling to the same money brokers in behalf of Cali or for their own account. These brokers will convert proceeds for a fee, or, they will buy the proceeds at a discount. Given the high profit margins of the drug trade, discounts of 7-10 percent or even higher, depending upon risk, are common. At the end of the day, Cali and other trafficking groups may own or control 50% or less of the initial drug proceeds.



The following hypothetical example illustrates the options available. Assume that the Cali Cartel is moving \$100 million over the rather porous border from the United States to Mexico and operating on a 75% profit margin (earnings minus costs). Just \$25 million must reach Colombia to replenish the operating budget. Cali wants to net \$60-65 million from the bulk of the cash, or \$85-90 million in total. Brokers have a bid or discount range of 10-15%. Cali agents will attempt to sell \$25 million on the gray market -- supported by Latin and even US businessmen who want to convert pesos or other currencies into dollars -- and go into the gray market to avoid exchange rates, or avoid taxes, or, when profit margins are narrow on US goods which can be sold in their countries, to realize higher profits. These currencies, especially pesos, can be readily returned to Colombia. The amounts over which Cali or Mexican traffickers retain actual control will be influenced by prevailing discount rates, investment opportunities, current risk dynamics, and gray market demand, more than it will by the presence or absence of laws. At the same time, the need for fluidity and convertibility, influenced by the strength/weakness of the Mexican peso and the status of US investor confidence, among other factors, will leverage the rate at which Mexican banks will do business with brokers.

Perhaps \$25 million more will be "consigned" to allegedly licit importers who use various invoice schemes, at a discount, to legitimize the return of dollars to their countries. The textile trade is a typical cover. For example, a South American clothing manufacturer working with Cali will obtain a permit to export \$20 million of suits to New York. The manufacturer actually ships \$6 million worth of suits to the Aruba Free Zone, where they are repackaged and sent back to Colombia, and sold at discount. Meanwhile, the manufacturer's agent picks up \$20 million in drug proceeds in New York and returns it to Colombia, covered by a export license.

The bulk of the \$100M will be deposited in Mexican banks, after which a number of schemes can be used. Commonly, the money will be wire-transferred to accounts in the United States. The Mexican banks will then issue checks drawn on its US accounts, payable to individuals or corporations. These checks can be batched for resale in Latin America, or deposited into foreign bank accounts. Enforcement officials believe that as much as \$10 billion in Mexican bank drafts is laundered through such schemes each year in Panama alone. While some of the trade is in contraband goods, these checks, certificates of deposit, and other financial instruments have also been used to pay for legitimate shipments. Gold trade in the Aruba Free Zone amounts to more than \$200 million a year. The Mexican banks will also issue their own dollar-denominated checks, up to a level which they think will not cause inquiries.

Such brokers offer as much as \$500 million to a bank or another broker at a point or two below the official exchange rate. The offer is probably not for a single transaction, but reflects the amount of money this broker has at his disposal. However, transactions are increasing in size. One recent transfer reportedly involved \$78 million which went through a US bank in a single transaction.

Why then don't US reports and economic indicators reflect this volume of money transfer? The answer is fairly simple: these kinds of transactions are designed to fall outside the scope of Treasury and other reporting. For example, US banking law does not require reports on bank to bank transfers, let alone transfers from branch to another of a bank.

Some of this flow shows up in physical movements of currency back to the US. Flows from Latin America, especially Panama, Paraguay and Mexico, to Federal Reserve Banks are in fact in excess of the levels which can be explained by traditional commerce. However, currency does not have to leave a placement site physically. Banks are at least one generation or more beyond the period in which physical money was moved to settle accounts. Dollar settlements are accomplished through reciprocal balances. For example, a Mexican bank wires \$50 million to a bank in New York, which gives the Mexican bank instant credit on the latter's New York account because the Mexican bank has simultaneously given the New York bank credit for \$50 million at the latter's Mexican facility. Rather than moving physical cash to New York, the Mexican outlet is more likely to transfer physical cash south, as individual checks wend their way through various payment schemes. However, some cash does move back to the US in bulk, carried by Mexican transfer agents who are not required to declare currency when crossing the US border north.

The US economy is one unintended beneficiary of the kinds of swaps and schemes carried out in Mexico. The gray market enables Latin businessmen to buy goods and services here, and pay for it dollars which originated in the US drug market.

In sum, the schemes are real, and in fact are becoming more complex and are being played out on a wider world stage.

**Are the Laws Being Implemented?** In the seven years since the 1988 UN Convention was adopted, and particularly since FATF issued its 40 money laundering recommendations in April 1990, dozens of governments have statutorily enacted various countermeasures, as indicated by the charts in this chapter.

The pace of implementation of these laws, and the scope of their application varies. A review of results reported by key financial centers relative to the generation of suspicious transaction reports indicates that several such centers have reporting ratios which are disproportionately small, given the volume of financial activity and diversity of enterprises in their systems. Such minimal results could be an accurate reflection of a low level of suspicious activity, but, such results could also indicate a law which is drawn too narrowly or a banking system which is not giving a full faith compliance.

In addition, it has been difficult to assess the degree to which newer electronic banking practices may render banks more or less vulnerable to money laundering. Few governments have control mechanisms adequate to identifying and tracing such transactions should they occur.

Apart from financial institutions in which officials are complicit in the money laundering transaction, financial institutions are rendered most vulnerable by the combination of correspondent banking relations and electronic transfers. In 1995 the twin problems of regulating wire transfers and tracing wire transfers in pursuit of an investigation were on the threshold of some containment because FATF had reached agreement with the dominant system (SWIFT) and its key members on including in each message critical information needed to identify transmitters and receivers and especially beneficial owners of transactions. Recordkeeping may have improved, however, over the past year there has not appeared to be any diminution of electronic transfers of illicit proceeds. Control efforts are being sorely challenged by the creation of new, independent wire transfer services, some which service small clusters of banks.

**Correspondent Banking.** Regulators, money laundering investigators, and international policymaking bodies like FATF are facing profound challenges from a banking world which not only knows no geographic horizons and is open 24 hours a day, but is increasingly inter-connected, as large multinational banks extend their reach not only through branch and subsidiary networks but through correspondent relationships that cross the globe.

The concern is not with the growth or dominance of the largest banks, or the extension of their networks, but, whether standards of prudential supervision are met at every juncture in this web of correspondent banking. The emergence of active financial service industries in every jurisdiction capable of becoming active players on the electronic highway of super-banking, places ever more emphasis on vetting transactions at the bank of origin. There is not the confidence today that the scope of current know-your-customer policies are sufficient to actually cover most financial transactions at origination.

The scope of international banking was made clear at the winter meeting in 1995 of the International Bank Security Association. The world's 12 major financial centers except Japan have one or more banks or financial institutions among IBSA's 52 voting members and six associate members, and these banks include many of the world's largest international banks.

An IBSA survey showed that 27 of these 58 banks have headquarters offices and or branches in 146 countries. A separate survey showed that 19 of the 58 members own percentages (and sometimes controlling interest) in 144 other banking institutions. The actual "reach" of these big banks, both in terms of branches and holdings, is far greater as only 27 of the 58 responded to the surveys on branches.

While FATF has conducted an extensive external relations program, which has engaged an estimated 65 governments outside its own 26-member roster, no single agency, not even the UNDCP, has accepted the responsibility for ensuring uniform standards of anti-money laundering enforcement, or bank regulation, among all nations and territories.

**Offshore Banking.** Concerns about the regulation of offshore banking did not lessen over the past year. The assurance of absolute secrecy by many jurisdictions which license such facilities makes it possible for such facilities to be manipulated to move and conceal or generate illicit proceeds. While the Offshore Group of Banking Supervisors continues to promote adherence to FATF countermeasures among its members, most offshore facilities have not been evaluated by FATF, OGBS or other organizations and far too many questions remain about the regulation of such facilities. FATF has completed evaluations by outside experts of its own members which have offshore facilities, such as Switzerland and Singapore.

The concern about regulating offshore facilities remains high with respect to most governments which issue such charters, but nowhere more so than the Caribbean. The Bank of International Settlements has estimated that \$5 billion of the \$12 billion which is transacted annually through offshore facilities involves Caribbean offshore banks.

**Other Compliance Factors.** Other priority concerns which carried over through 1995 included the counterfeiting of currencies and other monetary instruments, especially bonds; the boom in contraband smuggling; the buying of banks and other financial institutions by suspected criminal groups; the resort by criminals to the use of smaller, less-monitored banks; and the sophisticated use of such new phenomena as direct access and pass-through banking, and electronic cash systems. There is continuing concern, given that financial crimes and money laundering are occurring with varying degrees of regularity in more than 125 jurisdictions, that some governments still have not criminalized all forms of money laundering. Some have not given sufficient regulatory authority to central banks and other institutions; many do not have adequate data systems to monitor trends and methods used in their territories; and many have not made adequate provision for mutual legal assistance.

## **CYBERCURRENCY**

The use of microchip-based electronic money for financial transactions, via smart cards and the Internet, are assuming a potentially important place in the domestic and worldwide payments system. These chip-based electronic cyberpayments are emerging very rapidly. Cyberpayments may soon become an addition to the major means of payment--currency, checks, credit cards, debit cards, and Automated Clearing House (ACH) transfers that are used currently to make purchases.

Currency--paper notes and metal coins--has always been of particular importance in payments involving illicit activities. Currency attributes include ease of use, wide acceptability, and, most importantly from the standpoint of law enforcement, anonymity. The demand for the paper dollar is enormous. US currency in circulation, at the end of 1994, totaled approximately \$405 billion. Of this amount, foreign holdings were approximately \$270 billion. A significant feature of the new cyberpayments is that they include a new form of currency--a cybercurrency that is engineered to be an electronic emulation of paper currency. Cybercurrency includes the attributes of conventional currency: a store of value, a medium of exchange, a numeraire, anonymity and ease of use.

But there are added features: transfer velocity (almost instant electronic transfers from point to point) and substitution of electrons for paper currency and other physical means of payment. Obviously this is an innovative addition to the payments mechanism, but it requires close attention since the use of microchip and telecommunications technologies adds some significant new dimensions for law enforcement.

Yet currency is not the only monetary instrument innovation. Cyberpayments also comprise other payment components. Already in use or design are cyberchecks, an emulation of paper checks, cybercredit, cyberdebit and so on. Furthermore, cyberpayments can replace or substitute for conventional wire transfer and financial message systems. Within the next few years, cyberpayments will to some degree substitute and supplement all current means of payment and a variety of monetary instruments.

Many issues are raised by this new technology, including the issue of whether such payments constitute legal tender and are susceptible to monetary reporting and supervision measures. Must reporting regulations be completely redesigned to include the reporting of currency in electronic form moving to other countries via the Internet or across the border in a smart card or electronic purse? Law enforcement issues likely to arise in this area include fraud, counterfeiting and computer hacking. Moreover, high speed, worldwide transfers that are a facet of the cyberpayment technology add complexity to law enforcement's ability to trace criminal activity and recover narco proceeds.

## CONCERNS

Over one hundred governments have ratified the 1988 UN Convention, including the great majority of high to medium priority governments. However, inconsistent enforcement of its anti-money laundering provisions is an important factor in the continued high level of global financial crime.

Eight governments ranked as High, Medium-High or Medium Priority money laundering concerns by the US Government have signed but not ratified the 1988 UN Convention, and three other governments ranked among the higher priorities have not yet signed. Thus, almost one-fifth of the 67 governments in the three highest priority categories have not ratified this universal accord six years after its declaration.

Too many affected or vulnerable governments have not criminalized all forms of money laundering and financial crime, nor given sufficient regulatory authority to central banks. There is need for an intensified education and persuasion effort by the world's major financial institutions and organizations, to ensure a higher level of compliance on a global basis.

Too many governments continue to place limitations on money laundering countermeasures, particularly the requirement that the offense of money laundering must be predicated upon conviction for a drug trafficking offense.

Too many governments still refuse to share information about financial transactions with other governments to facilitate multinational money laundering investigations.

There is need for enhanced bilateral and multilateral international communications to inform governments and financial systems in some systematic and ongoing way about the methods and typologies of drug and non-drug related money laundering and financial crime.

The layering and integration stages of money laundering are using more sophisticated money laundering techniques. Cash is now being held in bulk or placed into the financial system through exchange houses and other non-bank financial institutions. Not only is it moved through wire transfers but innumerable varieties of licit and illicit financial instruments, including letters of credit, bonds and other securities, prime bank notes and guarantees, without a parallel increase in the capability of the far-flung elements of the world's financial system to verify the beneficiaries or authenticity of instruments.

The electronic highway now links banks and non-bank financial institutions (NBFIs) worldwide to facilitate expanding world trade and financial services, placing ever-greater priority on banks of origin to establish the identity of beneficial owners and their sources of funds. There are few controls on electronic transfers, and, compounding the problem, the bank or non-bank of origin is increasingly based outside major financial centers in jurisdictions which do not adequately control money laundering and other financial crimes.

Narcotics money launderers have adapted the invoicing schemes used by contraband smugglers and are similarly manipulating commercial trade practices to move and convert illegal proceeds. The vast proceeds generated by both types of crime magnify the need for control mechanisms to address non-drug-related financial crimes.

There is emerging concern about new banking practices, such as direct access banking which permits customers to process transactions directly through their accounts by computer operating off software provided by the bank. This system limits the bank's ability to monitor account activity, such as of joint accounts and pass-through banking schemes which have been a traditional method of layering. Beneficial owners of funds can now manipulate the identity of the ultimate recipient of the funds without the review by bank officers. Pass-through banking by itself poses myriad problems for regulators, by creating the ability of depositors unilaterally to create accounts within accounts, or even to provide quasi-banking services to off-line customers in a kind of bank within a bank. These new bank services can limit the utility of systems in place to have both originator and recipient information travel with the electronic funds transfer.

There is continuing concern that the need for capital of many financial systems overwhelms prudent banking practices and safeguards, with respect to deposits, loans and underwriting practices, and contributes to the increasing problem of takeovers of banks and non-bank financial institutions by criminal groups.

The concern about the concentration of economic power in drug cartels and other criminal organizations, and its potential translation into political power now embraces the Caribbean, Europe, the Middle East and Asia as well as the Americas.

Professional money laundering specialists sell high quality services, contacts, experience and knowledge of money movements, supported by the latest electronic technology, to any trafficker or other criminal willing to pay their lucrative fees. This practice continues to make enforcement more difficult, especially through the commingling of licit and illicit funds from many sources, and the worldwide dispersion of funds, far from the predicate crime scene.

Non-bank financial systems are still unevenly regulated in most parts of the world, especially at the placement stage for cash. The US, which is taking a leadership role in regulatory non-bank financial institutions, is still drafting the regulations that would subject them to federal regulation. Non-bank financial institutions include a wide variety of exchange houses, check cashing services, insurers, mortgagors, brokers, importers, exporters and other trading companies, gold and precious metal dealers, casinos, express delivery services and other money movers of varying degrees of sophistication and capability. Even less regulated are the underground banking systems, like the "chop" houses of the Orient, and the "hundi" and "hawala" systems of Europe, South Asia and the Middle East.

Asset forfeiture laws have not kept pace with anti-money laundering investigative authority, much less with traffickers' wide-ranging schemes. There is a conspicuous gap between the number of institutions and accounts identified by government investigations with money laundering and the authority of many governments to seize and forfeit drug and money laundering proceeds.

Many banking systems remain obliged to inform account holders the government is investigating them and may seize their accounts, providing criminals the opportunity to move assets and leave town.

There is an urgent need to prescribe corporate as well as individual sanctions, including actions against financial institutions that repeatedly fail to take prudent measures to prevent their institutions from being used to launder money.

There is need for continuous fine-tuning of bilateral and multilateral strategies, which define responsibilities and objectives on a country-by-country basis, and set specific goals for cooperating with the varying money laundering and money transit countries.

Many governments and financial systems continue to rely on voluntary reporting mechanisms, despite the inadequacy of voluntary control systems. Reports from government after government demonstrate that the adoption of mandatory controls has not caused declines in legitimate deposits or resulted in threats from traffickers.



Prudential supervision of many domestic banking systems has improved with respect to money laundering, but foreign branch offices, subsidiaries and other foreign operations continue to figure prominently in drug and other money laundering and financial crime. There is a particular need for major international banks to ensure that governments and regulatory agencies in all jurisdictions they serve are enforcing the same high standards as charter governments.

Many governments seek to superimpose money laundering controls on systems which still employ loose incorporation standards and permit bearer share ownership, which vitiate the impact of these controls.

The implementation of free trade agreements and regional compacts, creating trading and economic zones which transcend national borders could increase the use of international trade as a mechanism for laundering proceeds of criminal enterprises. The impact of the liberalization of border and other customs controls, liberalized banking procedures within these zones, and freedom of access within the zones creates additional potential risks for the future.

There is a need for countries which cooperate on money laundering investigations and prosecutions to share forfeited proceeds so as to reflect equitably their respective contributions. A "finder's keepers" approach is unfair and fails to provide an incentive for multinational efforts.

#### **WHAT WE NEED TO DO**

In an electronic world in which the banking system operates through chain-linked computers 24 hours a day, there must be increased emphasis upon thorough vetting of personal, company and financial institution accounts at the bank of origin, wherever in the world it is located. There is no substitute for a thoroughly applied know-your-customer policy, especially as applied to those placing currency into the system and converting it to an account susceptible to immediate transfer outside the jurisdiction.

Considerable attention must be focused on establishing international standards, on obtaining agreements to exchange information, establishing linkages for cooperative investigations, and on overcoming political resistance in various key countries to ensure such cooperation.

Governments need laws which: establish corporate criminal liability for bank and non-bank financial institutions; apply to all manner of financial transactions not limited to cash at the teller's window; apply reporting and anti-money laundering laws to a long list of predicate offenses not limited to drug trafficking; criminalize investments in legitimate industry if the proceeds were derived from illegal acts; and enable the sharing of financial and corporate ownership information with law enforcement agencies and judicial authorities.

But governments also need strategies, end-games which project change and progress along the same continuum as the changes in both financial system procedures and the methods criminals develop to exploit them--strategies which focus on specific governments and specific financial systems.



Over time, a number of actions can be seen as needed on a continuing basis to keep pace with the dynamics of money laundering in a high-tech world. Continuous action is needed on each category in 1996, and for the foreseeable future.

**1. Constant Monitoring of Money Laundering Patterns, Trends, Typologies.** More sophisticated techniques, involving both bank and non-bank financial institutions, in a wider array of traditional and non-traditional financial center countries, have complicated identification, tracing and investigation. Information exchanges have been improving, but critical gaps in know-how must be closed in tandem with improved cooperation.

**2. Analysis of Money Management Practices.** We need improved information from more countries on what factors influence traffickers and their money managers to use particular systems in specific countries, to keep reserves in cash vs other monetary instruments, to invest rather than park funds. Interviews of arrested drug money managers are producing detailed profiles of money management schemes. The best data so far applies to the cocaine trade, but we need to develop the same level of knowledge about heroin and marijuana syndicates.

**3. Analysis of Non-Drug Related Money Laundering and Other Financial Crimes.** Traffickers seldom invent new methods or practices of handling and investing money. In general, they rely on techniques perfected by corporations and individuals to shelter proceeds from taxation or to avoid strict currency controls. Terrorists, arms dealers, and other criminals, similarly rely on standard measures used to shelter funds from taxation by legitimate enterprises. We need to identify the parallels between drug money laundering and financial crimes of every description and achieve an equal capability to investigate and prosecute such crimes. A number of governments are willing to impose new restrictions on drug-related financial crimes, but hesitate to apply such strictures to other forms of financial crime.

**4. Equating Economic Power with Political Clout.** The increasing concentrations of wealth among criminal groups in a number of jurisdictions is a concern, not only because of possible impacts on investments, real estate values, legitimate commerce and government integrity, but also because these organizations have the wealth to make large campaign contributions to candidates who in turn agree to assist the criminals. We need to assess the national security and political implications of these shifts and accumulations of wealth for all financial centers where such wealth is being concentrated. Illicit funds and corrupt officials represent a continuing threat to democracy in literally every region of the world.

**5. Eliminating Systemic Weaknesses.** We need banks to maintain the same kinds of records on clients which are also financial institutions, as they do for other customers, and to report suspicious transactions by such clients when the same financial institutions are named repeatedly in investigation after investigation. Some currently available but underutilized mechanisms include revocation of licenses, changes in ownership and management, levying of fines, and prosecution.

**6. Assessing The Trafficker as Entrepreneur.** We need to explore the extent to which criminal organizations are penetrating legitimate financial and other businesses, using their vast resources to gain control and to influence economic, financial and business decisions. More data, and systematic analysis are needed on the role played by the trafficker and money launderer in foreign exchange markets, including their use of and creation of gray markets.

**7. Analyzing the Impact of Money Laundering on National Governments and Economies.** The interplay between political and structural factors in a country upon its receptivity to money laundering, and that of money laundering on the political life and economic life of the jurisdiction, need to be better understood. Among the questions that need to be analyzed are the extent to which structural macro-economic factors such as commodity deflation, sustained high levels of unemployment, and recession have in making a country susceptible to becoming a money laundering haven. At the sectoral level, we need to determine the influence of black markets on legitimate enterprises. At the institutional level, we need to identify the major factors that may influence bankers and other financial managers in some jurisdictions to be more likely to accept money they have reason to believe is tainted. As we better identify where money laundering is most likely to have a macro-economic or political impact, we need to evaluate the potential effectiveness of economic countermeasures. These could include limiting or excluding access to the global financial system of entities or states identified as major problems.

**8. Regulating Exchange Houses and Remittance Systems.** There is ample evidence that the various "hundi, hawalla, and chop" remittance systems, so essential to economic life in the Middle East, South and East Asia, are being used by drug traffickers, just like the "cambios" of Latin America, and non-bank institutions of all kinds in the Western financial community. They serve vital functions for key sectors of many economies; Systems for regulating them to discourage their use to launder the proceeds of crime are essential, but will fail unless they take into account the very informality that makes them effective and desirable.

**9. Concentrating Efforts for Maximum Effectiveness.** Enforcement operations have proven we can disrupt cartel operations. But these organizations are resilient and recover quickly. We need to develop more effective strategies for disruption in order to achieve the destabilization of criminal organizations.

**10. Pursuing A Continuously Evolving Strategy.** For much of the 1980s, concerned governments operated under a strategy which involved a handful of key countries whose cooperation was essential and/or which were drug money laundering centers. But the traffickers have changed tactics and moved to new locales. Banks are but one portal. They also use securities brokers, insurance companies, import and export companies. Every means the worlds of business and finance have to offer, linked by wireless and facsimile transmissions, are today used by traffickers and the managers of their illicit proceeds. Financial regulation, supervision and enforcement needs to expand both to cover transactions that transcend national boundaries and to cover the widening array of types of financial service businesses.

**11. The United Nations Drug Control Program (UNDCP)** should intensify its efforts to ensure that all significant financial center countries are implementing fully the anti-money laundering and asset forfeiture provisions of the 1988 UN Convention. As an immediate priority, UNDCP should focus on securing ratification by the 12 significant financial center governments which have not yet ratified the Convention.

**12. The Financial Action Task Force**, working with the Offshore Group of Banking Supervisors and other relevant organizations, should focus increased attention on offshore banking. FATF has been quite effective in reaching out to this group; a majority of offshore banking centers are either members of FATF or the Caribbean FATF, or, have participated in FATF/CFATF seminars which provided guidance on adopting/implementing FATF and UN guidance. More analysis is needed of the methods used to move money through offshore banks, and OGBS should be supported in efforts to include as many offshore banking centers as possible within its membership, and, a parallel effort to evaluate progress by its members.

**13. The adoption by governments of information standards** recommended by FATF and the SWIFT banking information network is a welcome if not yet universal step. Many more governments need to cooperate in adopting regulations to help curb the misuse of electronic transfer and payment mechanisms to launder illicit funds.

**14. Governments and banking systems alike must be more vigilant** in efforts to detect counterfeit currency and other monetary instruments. The schemes involving counterfeit bonds and other securities, usually as collateral, suggest there is the need for an international clearinghouse to assist banking and financial systems outside the major centers in determining the authenticity of offered documents.

**15. Governments and banking systems must exert greater efforts to identify and prevent a wide range of financial crimes**, not just drug and non-drug money laundering, but also financial frauds, such as prime bank guarantees. Again, the history of such frauds suggests a need for a clearinghouse which can assist financial houses in identifying customers and authenticating documents.

## **BILATERAL ACTIVITIES**

### **THE PRESIDENTIAL INITIATIVE**

In a speech to the United Nations in October 22, 1995, President Clinton announced a new US initiative against money laundering. The President declared that those governments which were identified by the US as being egregious centers for money laundering, and not taking corrective action, could be subjected to sanctions. The initiative, which is known by its authorization, Presidential Decision Directive 42, or simply PDD 42, includes within its scope not only drug related but other types of money laundering, and also financial crimes associated with arms smuggling, nuclear proliferation, financing of terrorist groups, organized crime activities, contraband smuggling, and violations of UN/US sanctions.

As a follow up to the President's speech, the US government has developed and is implementing the following two complementary analytical processes: (1) the categorization of each country's money laundering vulnerabilities (based on generally accepted standards of judging anti money laundering laws, the adequacy and level of enforcement of these laws, and the degree of international cooperation); and (2) an assessment of the threat to US national security that the money laundering poses related to certain key criminal activities, including narcotics trafficking.

The process yields for the US a list of priority countries to approach about specific shortcomings in their anti-money laundering laws and enforcement efforts. The initial work with these countries will be based on diplomatic negotiation. The President stated at the time of his UN speech that failure to change one's status as an egregious money laundering haven could result in the imposition of sanctions, up to denial of access to the US banking system.

### **TREATIES AND AGREEMENTS**

Mutual legal assistance treaties (MLATs) which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, including money laundering and asset forfeiture, are in force with 19 governments including: Argentina, the Bahamas, Canada, Italy, Jamaica, Mexico, the Netherlands, Panama, Switzerland, Turkey, the United Kingdom with respect to its Caribbean dependent territories (the Cayman Islands, Anguilla, British Virgin Islands, the Turks and Caicos Islands and Montserrat), Uruguay, Morocco, Spain and Thailand. MLATs have been signed but not brought into force with eight other governments: Belgium, Colombia, United Kingdom, Korea, Hungary, the Philippines, Austria and Nigeria. Similar treaties are in various stages of negotiation elsewhere. The US also has signed the OAS Mutual Legal Assistance Treaty.

In addition, the US has entered into executive agreements on forfeiture cooperation, including: (1) an agreement with the UK providing for forfeiture assistance and asset sharing in narcotics cases; (2) a drug-related forfeiture agreement with Hong Kong; and (3) a forfeiture cooperation and asset sharing agreement with the Netherlands (but not yet in effect with Aruba and the Netherlands Antilles). The US has asset sharing agreements with the Cayman Islands, Colombia, Mexico and Ecuador.

Financial Information Exchange Agreements (FIEAs) are bilateral Executive Agreements which facilitate the exchange of currency transaction information between governments. The FIEA provides a mechanism for exchanges of such information between Treasury Department and the other government's Finance Ministry. The ability to quickly exchange currency transaction information in money laundering matters aids in achieving mutual enforcement goals. The United States has FIEAs in effect with Colombia, Ecuador, Panama, Peru, Venezuela, Paraguay, and Mexico. Each FIEA requires that both parties enact or have legislation which requires the reporting or recording of large currency transactions conducted at financial institutions.

On December 2, 1995, the Financial Crimes Enforcement Network (FinCEN) signed a Memorandum of Understanding (MOU) with the Government of Argentina. The MOU was formulated within the framework established by the Summit of the Americas, December 1994, and its Ministerial Conference Concerning the Laundering of Proceeds and Instrumentalities of Crime, December, 1995.

The parties agreed to provide each other with general information relating to money laundering, illicit drug trafficking and related crimes, including information on trends and patterns involving the proceeds of drug trafficking or the international transfer of illicit assets. The parties also agreed to furnish one another with information about financial transactions, in coordination with appropriate authorities in each case, involving particular investigations of illicit activities or operations.

The seven FIEAs currently in effect differ in scope, providing for the exchange of information in three categories:

(a) Financial transactions associated with money laundering as a result of narcotics trafficking; or (b) financial transactions associated with money laundering regardless of source of funds; or, (c) financial transactions associated with illicit activities, not limited to money laundering.

Generally, requests for information and information provided must be case specific, tied to a violation of law, and requested in writing including as much identifying information as possible. Information provided must be used only for the purpose requested and not further disseminated, disclosed, or transmitted without the written approval of the provider of the information. In urgent circumstances, the FIEA with Mexico allows for requests to be made by telephone or telefax, followed by a written request.

Although FIEAs are potentially a highly valuable tool for obtaining financial transaction information from foreign countries in support of money laundering investigations, few requests have been made with the exception of Mexico which has actively used the FIEA to obtain financial transaction information from the United States in furtherance of its anti-money laundering efforts.

US Customs has mutual assistance agreements with Argentina, Australia, Austria, Belarus, Belgium, Canada, Cyprus, Czechoslovakia (now extended to the Czech Republic and Slovakia), Finland, France, Germany, Greece, Hungary, Italy, Korea, Mexico, Norway, Poland, Russia, Spain, Sweden, United Kingdom and Yugoslavia. Customs has negotiated agreements with other countries that are not yet in force: Denmark and Honduras.

## **FINANCIAL INTELLIGENCE UNITS**

FinCEN took the first concrete steps in an effort to establish an international network of the specialized anti-money laundering organizations known as financial information units (FIUs). In June 1995, representatives of 24 nations and 8 international organizations met at the Egmont-Arenberg Palace in Brussels, Belgium to discuss FIUs.

Chaired jointly by FinCEN and the Cellule de Traitement des Informations Financieres (CTIF) of Belgium, the meeting in Brussels enabled participants to become acquainted with the already existing FIUs and to open communication channels. It initiated discussion among these organizations on practical ways for information sharing. The issues identified by the Egmont Group continued to be developed through the efforts of three working groups and were once again addressed in a subsequent Egmont meeting in Paris on 30 November 1995.

The Egmont Group is an unofficial organization of the several dozen FIUs in existence thus far. The existence of the group is a reflection on the success of Financial Action Task Force Recommendation 24: the creation of a centralized authority to take in and analyze suspicious transaction reporting.

In May 1995, FinCEN launched a financial intelligence unit (FIU) orientation program for foreign counterpart agencies. This initiative contributed significantly to the enhancing of the cooperation between these agencies. Beginning with three representatives of the Netherlands Meldpunt Ongebruikelijke Transacties (MOT), FinCEN provided a two-week structured series of briefings on its various functions and responsibilities. A one-week version of the orientation was repeated in June for a seven member delegation of Polish officials responsible for drafting legislation that will establish an FIU in that country. In October the two-week program was used for a representative of France's Traitement du Renseignement et Action Contre les Circuits Financiers Clandestins (TRACFIN).

FinCEN became more involved in assisting countries of Eastern Europe and the former Soviet Union in establishing financial information units (FIUs). Finding widespread support among Polish officials for creation of such a unit, FinCEN organized a money laundering seminar in Warsaw, Poland, for approximately 40 government officials in February 1995. The conference also included participation by representatives from Belgian, British, and French FIUs. The Polish Ministry of Finance has taken the lead in sponsoring necessary legislation to create an FIU. In September, FinCEN met with officials of the Russian government to discuss holding a similar seminar in Moscow. The response from these officials was positive.

In 1995, FinCEN started working with the INTERPOL Proceeds of Crime Group (FOPAC) on an analytical project to assess the money laundering situation in countries of the Eastern Europe and the former Soviet Union. In the first part of the year, FinCEN and FOPAC worked to develop a questionnaire for use during visits to each of the 23 countries encompassed by the project. The questionnaire addresses money laundering trends, the financial services sector, and relevant legislation for use in information gathering. During the second half of the year, FinCEN and FOPAC representatives visited seven countries in the region, including Estonia, Latvia, Lithuania, Russia, Romania, Moldova, and Poland.

## TRAINING AND TECHNICAL ASSISTANCE

The Department of State's Bureau for International Narcotics and Law Enforcement Affairs, Office of International Criminal Justice (INL/ICJ) coordinated multi-agency Freedom Support Act (FSA) and Support for Eastern European Democracies (SEED) training. INL/ICJ in cooperation with DEA, ATF, FBI, FinCEN, FLETC, ICITAP, IRS, DSS, and the US Customs Service, offered international courses in Eastern Europe and the newly independent states. ATF participated in Alcohol and Tobacco Taxation/Licensing training in Russia and trained Russian, Latvian, Estonian, Polish, Ukrainian students in post-blast investigations. The FBI provided White Collar Crime/Financial Crimes training in Russia. FBI provided instruction on Organized Crime and Financial Institution Fraud in the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Russia, Siberia, Slovakia, and the Ukraine. Additional FSA and SEED courses taught by the FBI included DNA Forensic Training, International Auto Theft, Internal Investigations, Financial Crime Seminar, Organized Crime Seminar and Instructor Development.

FinCEN's international training program has two main components (1) instruction provided to a vast array of government officials, financial regulators and others on the subjects of money laundering and FinCEN's mission and operation; and (2) training on financial intelligence analysis and creation and operation of financial intelligence units, modeled after FinCEN.

FinCEN works closely with other agencies in supporting US interests overseas. It participates in the Department of State Democracy and Law Program in Russia, the NIS, Eastern Europe as well as Ecuador and Panama. FinCEN's involvement encompasses (1) advising officials on how to establish advanced systems for detecting, preventing and prosecuting financial crimes; (2) recommending ways in which to develop a partnership between government and financial institutions to prevent money laundering (3) offering specialized training and technical advice in computer systems architecture and operation; and (4) providing assessments of money laundering risks as well as evaluations of anti-money laundering laws, regulations and procedures. While much of FinCEN's international training is done abroad, increasingly FinCEN is providing training to foreign senior officials at its headquarters in Vienna, Virginia.

During FY 95 FinCEN conducted the following money laundering international training, under the sponsorship of the Department of State: Australia, Canada, Brazil Great Britain, Singapore, Panama, Poland, France, Thailand, Netherlands, Argentina, Switzerland, Italy, Korea, Ukraine, Anguilla, Nigeria, Honduras, Poland, Cyprus, Finland, Chile, Venezuela, Colombia, Spain and Paraguay.

In April, 1996, FinCEN will co-host with Interpol in San Francisco, California the 5th Working Group on Financial Records. Several countries will make presentations on creating and running a financial information unit.

The Financial Action Task Force (FATF) plans to conduct a money laundering seminar for South African countries with the Commonwealth Secretariat. This seminar will take place in South Africa during FY 96.



India has expressed an interest in developing a financial information unit and other counter money laundering strategies. FinCEN expects a request for some assistance in late FY 95 or mid FY 96.

During FY 96, FinCEN will be leading an effort under the auspices of the Egmont Group to develop a curriculum (a) on financial crimes and money laundering intelligence analysis and (b) on creating and running a financial information unit. The objective is to have an initial pilot course offered by the end of 1996 at several venues internationally.

Nigeria is currently seeking information on enforcement strategies and creation of a financial information unit development from the United States. FinCEN anticipates being asked to conduct some presentations for them in FY 96.

The US Customs Service conducted international money laundering training in Venezuela, The United Arab Emirates, South Africa, Guatemala, Israel, Belgium, Pacific Rim (Hawaii), Brazil, Finland, Colombia, the Bahamas, Mexico, San Diego, California (for Northern Mexico), Japan, Peru, Ecuador and Guyana. A total of 18 training seminars in Central America, South America, Europe, Asia and Africa were conducted during 1995. One Special Agent was sent on tour of duty to the Guatemalan Banking Authority to provide on the job training to investigators. The main mission of the US Customs international money laundering control training was: a) To develop awareness and recognition of the threat posed by financial crimes to the host country's government, financial institutions, commerce, and populace. b) To develop international law enforcement cooperation and enhance the information gathering and investigative processes.

The FY 1996 international money laundering control training plans for the US Customs Service include: a) To conduct executive level anti-money laundering awareness seminars and short term advisor programs. Current scheduling training in eleven (11) foreign countries. b) To participate in asset forfeiture training schools with DEA. Coordinate with DEA to augment their Asset Forfeiture Training by providing US Customs special agents to conduct 4-hour blocks of training. Specifically, to describe the Department of Treasury Asset Forfeiture/Sharing program, Currency Reporting requirements of the Bank Secrecy Act, the Money Laundering Control Act, and the role of the US Customs Service in combatting international money laundering; c) To coordinate with World Customs Organization to conduct financial investigation seminars; d) To conduct international money laundering courses at the International Law Enforcement Academy (ILEA) in Budapest, Hungary; e) To coordinate representation at international seminars sponsored by foreign banking, regulatory, or other professional associations and f) To support the Treasury's Executive Office of Asset Forfeiture, special agents of the US Customs Service in participating in seminars, which includes representatives from all Treasury enforcement, to provide training to foreign law enforcement officials regarding the Treasury's enforcement responsibilities.



During 1995 the Drug Enforcement Administration's International Training Team conducted various types of law enforcement and money laundering training throughout the world. The countries include Austria, Bolivia, Burma, Cambodia, Chile, Colombia, Egypt, El Salvador, Georgia Guatemala, Hungary, Italy, Laos, Latvia, Lithuania, Malaysia, Malta, Mexico, Netherlands Antilles, Panama, Poland, Russia, Singapore, Thailand, and Turkey. Specifically, DEA conducted Asset Forfeiture Seminars in Dubai, United Arab Emirates; Capetown, South Africa; Brussels, Belgium and Stockholm, Sweden. In-country/regional training included such instruction as seminars in Basic Drug Enforcement, Advanced Drug Enforcement, Regional Executive Leadership and International Asset Forfeiture. DEA held a Mini-International Narcotics Enforcement Seminar in Anatolia, Turkey June 5-16, 1995. Participants from Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey and Uzbekistan were in attendance.

In addition to its international training initiatives, DEA also provided CONUS narcotics enforcement seminars in Arlington, Virginia and Deerfield Beach, Florida to international participants from Russia and Central and South America respectively. International training was also provided foreign participants at the National Training Academy in Quantico, Virginia.

#### **ENFORCEMENT: Significant Cases**

**JOAQUIN GUZMAN-LOERA Drug Trafficking Organization:** As a result of a three-year multi-agency Organized Crime Drug Enforcement Task Force investigation, a Federal indictment was unsealed in San Diego on September 28 1995, charging twenty-two members of the Guzman-Lorea Organization, including Joaquin Guzman-Lorea (currently in custody in Mexico in connection with the killing of Cardinal Posadas Ocampo), with conspiracy to import over eight tons of cocaine, as well as money laundering. The indictment also sought forfeiture of more than \$700,000,000 worth of money and property. This intensive OCDETF investigation involved cooperation among Federal (DEA, IRS, Customs, and the INS) and local law enforcement agencies in San Diego, Los Angeles, San Antonio, Tucson, Newark and Chicago.

**OPERATION GREEN ICE, PHASE II:** On April 3, 1995, eighteen indictments charging 80 United States, Mexican and Colombian defendants with money laundering conspiracy and substantive counts were unsealed in San Diego, climaxing an international drug money laundering investigation. The operation operated on three fronts, the first to target casas de cambio check cashing institutions operating along the Southwest Border; the second, the creation of DEA "store fronts" purporting to launder drug proceeds, whose purpose was to identify drug money launderers and financial institutions receiving the proceeds; and the third, the use of the front to identify Colombian money brokers. Arrests of 42 of the indicted individuals were made in Colombia, Canada, Los Angeles, Houston, Chicago and New York. Seizures totalled in excess of 15 million dollars, seven tons of cocaine and 16 pounds of heroin.

**OPERATION CORNERSTONE:** This two-year investigation culminated on June 2, 1995, with the unsealing of a nine count indictment charging 59 individuals (including six criminal defense attorneys) with racketeering, drug trafficking and money laundering offenses. The investigation involved the United States Attorney's Office for the Southern District of Florida, the US Customs Service and the Drug Enforcement Administration. The investigation targeted the narcotics trafficking and related illegal activities of the Rodriguez-Orejuela faction of the Cali Cartel, which was responsible for at least 80 percent of the cocaine exported to the United States from Cali, and the indictment specifically charged the importation of more than 200,000 kilograms of cocaine into the United States.

**DISTRICT OF IDAHO:** A plane was seized and forfeited in connection with the tracking of approximately \$1 million laundered by the Steven Saccoccia international money laundering organization, out of Providence, Rhode Island, and New York City, through various front company bank accounts in Los Angeles, through an aircraft broker's account in Denver, and ultimately to Boise. The plane was scheduled for delivery to Cali, Colombia, and was seized just days before the pilots were due to fly it out. The government sought forfeiture on the grounds that the plane was property involved in a money laundering transaction and that it was being purchased, by a Colombia broker, for the Cali Cartel to be used in the air shipment of cocaine. The aircraft was fitted in Boise with the latest in expensive avionics, including a global navigation system and other amenities useful for international trafficking. This case required substantial inter-agency cooperation, with assistance provided by agencies all over the country and successful sharing of information and resources.

**NORTHERN DISTRICT OF ILLINOIS:** A defendant's cooperation resulted in the forfeiture of more than \$10 million in planes and drug money. The defendant, a Colombian national who operated a fleet of cargo aircraft that functioned as the "air wing" of the Colombian cartels and were used to smuggle at least 20 tons of cocaine into the United States, Canada, and Central America, was also sentenced to eight years in prison for narcotics importation conspiracy. The results of his cooperation also included the seizure of four 727s and a Convair 500 cargo plane in Colombia and the grounding of 26 other aircraft valued at \$20 million at the Cali airport.

**EASTERN DISTRICT OF NORTH CAROLINA:** A forfeiture judgment was ordered against six defendants in the amount of \$300,000 each after their convictions for conspiracy to distribute cocaine and marijuana, and other related drug trafficking offenses. The organization successfully smuggled over 50,000 pounds of marijuana and over 500 kilograms of cocaine from Mexico through Arizona to the District. The investigation has resulted in the arrest and conviction of a total of 23 defendants with four fugitives at large. Additional results include the forfeiture of 17 pieces of real property valued at more than \$4 million, the seizure or forfeiture of United States currency totaling \$589,005, the seizure of four motor homes and 17 motor vehicles, the seizure of more than 2,100 pounds of Mexican marijuana and five kilograms of cocaine, and the issuance of two separate forfeiture judgments totaling \$20 million and \$1.8 million, respectively.

**WESTERN DISTRICT OF WASHINGTON:** A shopping center and drug proceeds of over \$4.5 million were ordered forfeited to the United States. The defendant in the case was also sentenced to life imprisonment and fined \$4 million on his trafficking and money laundering convictions. The defendant was the head of a criminal organization responsible for importing methamphetamine ("ice") from Korea and distributing it in the United States. The defendant delivered over 800 kilograms of "ice" to his distributors in the Seattle/Tacoma and Los Angeles areas, who then transported the "ice" to Hawaii, where it was sold.

**PANAMA MONEY LAUNDERING DEFENDANT EXTRADITION:** In the first money laundering-predicated expulsion from Panama, on October 27, 1995, Israel Mordok, one of two fugitives from a nine count 1992 indictment unsealed in 1994 in the Southern District of New York charging money laundering (domestic and internationally-exported currency structuring) violations, was arrested, stripped of his Panamanian resident status and then immediately deported from Panama to the S.D.N.Y. where he pled guilty.

**CERTIFICATES OF DEPOSIT:** FinCEN responded to a federal agency request from Brownsville, Texas concerning importations at Brownsville and Denver of \$1 billion and \$500 million in Certificates of Deposit issued by a Mexican financial institution. FinCEN research identified the Mexican company securing the CDs as a provider of Short Term Business Credit. The courier was identified in DEA files as potentially involved in money laundering activities and one of the US Companies was potentially identified as a subsidiary of a Connecticut holding company, originally incorporated in Delaware in August 1994. This investigation is ongoing.

**ARGENTINA REQUEST:** FinCEN received a request seeking support in an investigation concerning subjects of an Argentinean Federal Court of Criminal and Correctional Affairs investigation involving the Bank of Commercial Credit International (BCCI) liquidation process. Research and analysis revealed financial activity on three bank account numbers submitted with the Argentinean request. Queries of the BSA database revealed case related CMIRs totaling \$30,322 and CTR activity that totaled \$409,250. Financial research also produced several previously unknown bank accounts, new leads, and elements common to the requester's investigation.

**RUSSIAN ORGANIZED CRIME:** FinCEN provided support to a Federal investigation involving Russian organized crime in the New York City area. Bank Secrecy Act transactions were discovered as well as property assets. In addition, FinCEN was able to organize and link the requester's subjects with associates and additional businesses. The case research provided enabled the investigator of this case to better understand and correlate his agency's intelligence.

**SECURITIES FRAUD:** FinCEN provided analytical support to a large securities fraud investigation at the State Police level. This investigation was a multi-state, joint investigation looking into the activities of numerous employees and officers of investment firms. FinCEN discovered over two million dollars in Currency Transaction Reports, over two million dollars in Currency Transaction Reports by Casinos, and approximately seven million dollars in property ownership records.

## **ASSET SHARING**

Pursuant to the provisions of the 1988 US law, the Departments of Justice, State and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of drug trafficking and money laundering, offering the inducement of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures, and undertake independent investigations.

From 1989 through December 1995, the international asset sharing program administered by Justice resulted in the forfeiture in the US of \$124,679,340.22 of which \$42,209,368.29 was shared with foreign governments which cooperated in the investigations. In 1995, the Department of Justice transferred forfeited proceeds to: Canada (\$41,418.00), Israel (\$34,770.00), Ecuador (\$3,834,000.00) United Kingdom (\$523,393.00), and Switzerland (\$2,098,000.00) Prior recipients of shared assets (1989-1994) include: Argentina, the Bahamas, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Ecuador, Egypt, Guatemala, Guernsey, Hungary, Liechtenstein, Paraguay, Romania, St. Maarten, Switzerland, United Kingdom, Venezuela.

To date, Switzerland, the Isle of Jersey (Channel Islands) and the United Kingdom are the only three jurisdictions that have shared forfeited assets with the United States as the result of the assistance of the United States to forfeitures effected under their own laws. In 1995, the United States also reached an asset sharing agreement with Mexico that will serve as the basis to transfer forfeited assets from the United States to Mexico in the future, as well as a reciprocal sharing agreement with Canada.

## **MULTILATERAL ACTIVITIES**

### **FINANCIAL ACTION TASK FORCE (FATF) YEAR IN REVIEW:**

The Financial Action Task Force (FATF) was established by the G-7 Economic Summit in Paris in 1989 to examine measures to combat money laundering worldwide. In April 1990, the FATF issued a report with 40 Recommendations which, when implemented, establish a framework of comprehensive programs to address money laundering and facilitate greater international cooperation. FATF membership comprises 26 jurisdictions and two regional organizations, representing the world's major financial centers. Member jurisdictions are committed to adopting and implementing the 40 FATF Recommendations and agree to have their implementation progress evaluated by other FATF members.

In 1995, the FATF focused on several major areas in its fight against global money laundering. An experts group met to assess recent trends in money laundering, emerging threats, and effective countermeasures. Among the topics discussed was review of information available on money laundering in the securities and insurance industries. The results are being reviewed by the FATF plenary.

Also in 1995, the FATF completed the first set of mutual evaluations of its members progress in implementing the 40 FATF Recommendations. In 1996, the second round of mutual evaluations is beginning, focusing on the effectiveness of each member's anti-money laundering measures in practice. United States Treasury Undersecretary for Enforcement Ronald K. Noble is the FATF President for its seventh round during 1995-1996. Later this year, Director General Fernando Carpentieri of the Italian Ministry of the Treasury will assume the FATF Presidency for FATF VIII.

The stocktaking review of the 40 Recommendations, which was initiated last year, is continuing. This review is being undertaken to ensure that the Recommendations remain current and are updated as needed to effectively address today's money laundering situation, which has evolved significantly since the 40 Recommendations were originally issued six years ago. Emerging technologies and future vulnerabilities to money laundering are being addressed in the stocktaking review.

Through its external relations program, the FATF continues to encourage non-member countries to adopt and implement the anti-money laundering measures outlined in the 40 Recommendations. During 1995, the FATF conducted high-level missions to Morocco, China, Korea, Macao, and Egypt to actively promote anti-money laundering action. The expectation for 1996 is that the FATF will give priority to its external relations efforts in Eastern Europe, the Caribbean, and Asia. Missions to Bulgaria, Russia, the Czech Republic, Indonesia, and the Philippines are proposed. A regional seminar with the Black Sea Economic Cooperation will be held in Turkey in April 1996.

In October 1995, for the first time, an experts group met in Hong Kong to assess money laundering methods specific to the Asia/Pacific region and counteractions indicated. In December 1995, the FATF and the Commonwealth Secretariat jointly conducted the Third Asia Money Laundering Symposium in Tokyo, Japan. General agreement was reached to create an Asia/Pacific Steering Group on Money Laundering to provide a focus for anti-money laundering efforts in the region. The mandate for the Steering Group will be to encourage and facilitate the adoption and implementation within the Asia/Pacific region of the FATF 40 Recommendations, as well as to provide practical support to regional anti-money laundering initiatives including training and technical assistance.

The FATF continues to coordinate extensively with other international organizations involved in combating money laundering and to mutually foster efforts in this area.

In September 1995, the FATF convened a Financial Services Forum planning meeting to establish a dialogue and to develop a closer relationship with the financial services community worldwide. The purpose of the meeting was to exchange ideas about ways in which the FATF could reach out to the financial services industry to form a partnership in instituting global anti-money laundering measures. Discussion with industry representatives centered on the 40 FATF Recommendations. The Financial Services Forum was held in conjunction with the January 1996 FATF Plenary. At the January meeting, discussion focused on changing trends in money laundering, how to best provide feedback to financial institutions, views of the industry on the 40 FATF Recommendations, and implications of payment technology developments.

Five FATF members (United States, United Kingdom, France, the Netherlands, and Canada) continued to support and finance the Caribbean Financial Action Task Force (CFATF). The US Treasury Department provided staff to the CFATF Secretariat, housed in Trinidad and Tobago. The CFATF continues to encourage its 26 member jurisdictions to implement the 40 FATF Recommendations plus 19 additional recommendations specific to the region. The CFATF has begun to conduct mutual evaluations of its members to assess their progress in implementing the 59 recommendations. A typologies exercise is being planned to assess current money laundering trends in the region. A technical meeting of the CFATF is planned for March 1996 to discuss implementation and enforcement of anti-money laundering measures by members. A Ministerial meeting is planned to be held in May.

### **SUMMIT OF THE AMERICAS**

The Heads of State of governments in the hemisphere recognized at their 1995 Summit of the Americas in Miami that money laundering constitutes a serious challenge to the maintenance of law and order throughout the hemisphere and may threaten the integrity, reliability, and stability of governments, financial systems and commerce. Action Item Six of the Summit's plan of action called for a working level conference on money laundering to plan a ministerial level conference which would study and agree on a hemispheric response to money laundering.

Treasury, State and Justice worked with the other nations of the hemisphere to plan the Summit of the Americas Ministerial Conference on Money Laundering, which was hosted by the Government of Argentina, in Buenos Aires (Nov. 30-Dec.2). Following a six-country planning meeting on March 15, 1995, the first working level conference was held on April 19-20, 1995 at Loy Henderson Auditorium, Department of State in Washington, D.C. All 34 nations were invited to send legal, financial and law enforcement experts to attend this conference, and most countries were represented. The delegates began drafting a communique on money laundering which the ministers could issue at the Ministerial Conference. A second working level conference was held at the same location in Washington on June 22-23, followed by a plenipotentiary conference at the Interamerican Development Bank in Washington, D.C. on November 20-21, where the communique was finalized.

Treasury, State and Justice coordinated the Ministerial Conference, which was chaired by US Treasury Secretary Rubin and was attended by representatives of 29 of the 34 countries of the hemisphere. The Conference also afforded an opportunity for bilateral talks on money laundering by senior US officials.

The Ministerial Conference demonstrated the commitment by governments in the hemisphere to a unified hemispheric attack on money laundering. The communique sets forth a hemispheric set of standards and principles to promote transparency, oversight, and enforcement to stop money laundering. In further fulfillment of the Summit mandate, the Ministers agreed to take all necessary measures, including legislative and administrative measures, in conformity with their national constitutions and laws to combat money laundering.

The communique established a Declaration of Principles in which the conferees agreed to make the laundering of proceeds a criminal offense. The Ministers agreed on a Plan of Action outlining legal, regulatory and enforcement actions to be taken against criminal enterprises. Moreover, the participants agreed to institute an assessment of their progress in implementation of the Plan of Action in cooperation with the OAS. The conference also succeeded in creating an awareness that money laundering is a problem that goes beyond drug trafficking and involves other kinds of transnational crimes, and that money laundering is not only a law enforcement issue but also a financial and economic issue, requiring a coordinated interagency approach. When the principles and action strategies in the communique have been implemented and enforced by each government, there will be full compliance throughout the region with the 1988 United Nations Convention Against Illicit Traffic in Narcotics and Other Psychotropic Substances and the Organization of American States/InterAmerican Drug Abuse Control Commission (OAS/CICAD) Model Regulations.

In adopting the communique, the Ministers made a commitment to:

- Enact laws to criminalize the laundering of proceeds of from serious crimes. The laws would provide for the identification, seizure, forfeiture, and equitable sharing between governments of such proceeds.
- Expand the tools available to police authorities in investigating money laundering and financial crimes, including the consideration of measures such as undercover police operations and judicially approved electronic surveillance.
- Review laws and regulations pertaining to bank secrecy and assess the extent to which these laws permit disclosure of financial institutions records to competent authorities.
- Establish programs for reporting suspicious or unusual transactions.
- Share information among countries for the investigation and prosecution of money laundering crimes, and consider the direct exchange of financial information between countries. Create a center (financial information unit) to collect, analyze and share with competent authorities all relevant information related to money laundering.

It is anticipated discussion of the implementation of the Communique will be on the agenda of the 19th Regular Session of the OAS/CICAD meeting which is scheduled for March 5-8, 1996. In addition, nations agreed to submit to the Organization of American States, the establishment of a working group to consider an Inter-American convention to combat money laundering.



## **MONEY LAUNDERING COMPARATIVE CHARTS**

Each year the US has the task for assigning priorities to 201 nations and territories, using six differential categories ranging from High Priority to No Priority. The 1996 INCSR listing is attached.

INCSR rankings draw upon a number of factors which indicate (1) this is the money laundering situation in this nation/territory, ie, drugs, contraband, etc., (2) why we regard this situation as transcending local impact and having international ramifications; (3) impact on US interests; (4) whether the government taken appropriate legislative actions and, the breadth of those laws; (5) whether the laws are being effectively implemented; and (6) where US interests are involved, the degree of cooperation between the government and USG agencies. There are about two dozen subfactors which are considered. These factors are explained below.

A government can have comprehensive laws on its books and conduct aggressive enforcement efforts, but still be a high priority if the volume of money laundering continues to be substantial and continued vigilance by this government is essential to the effectiveness of the overall international effort.

When the severity of the money laundering problem places a government in the top three categories, and other deficiencies exist, the rankings indicate that these governments should take immediate action and will receive near-term priority attention from the USG. As one goes down through the rankings, remedial actions have less immediacy or less impact upon the US.

Ranking a government High Priority or Medium-High reflects a USG belief that near-term remedial action by that government is needed to deal with the problems cited in the individual summaries which follow the charts.

### **SELECTION CRITERIA**

As any financial system can be penetrated, every country and territory has the potential of becoming a money laundering center. There is no precise measure of vulnerability for any financial system, but a check list of what drug money managers reportedly look for provides a basic guide.

- Failure to criminalize money laundering from all serious crime or limiting the offense to narrow predicates, such as conviction of a drug trafficking offense, thus abetting efforts to commingle funds.
- Rigid bank secrecy that cannot be penetrated for authorized law enforcement investigations.
- Minimal or no identification requirements to conduct financial transactions, or widespread or protected use of anonymous, nominee, numbered or trustee accounts.
- No required disclosure of the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of currency movements.
- No recording requirements for large cash transactions.
- No mandatory requirement for reporting suspicious transactions, or a pattern of inconsistent reporting under a voluntary system, or a lack of uniform guidelines from which to identify suspicious transactions.



- Use of monetary instruments payable to bearers.
- Well-established non-bank financial systems, especially where regulation and monitoring are lax.
- Patterns of evasion of exchange controls by nominally legitimate businesses.
- Ease of incorporation, especially where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- Limited or weak bank regulatory controls, especially in countries where the monetary or bank supervisory authority is understaffed, underskilled or uncommitted.
- Well established offshore or tax-haven banking systems, especially countries where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of the foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Limited asset seizure or confiscation capability.
- Limited narcotics and money laundering enforcement and investigative capabilities.
- Countries with free trade zones where there is little government presence or other oversight authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Countries where the dollar is readily acceptable, especially countries where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai and Bombay.
- Countries where there is a significant trade in or export of gems, particularly diamonds.

## **ECONOMIC FACTORS**

The strength, vitality and freedom of economies can serve as indicators of the relative vulnerability of a financial system to penetration by money launderers.

The 1996 data base introduces the element of relative black market activity, ranking virtually all sovereign governments on a scale of 1-5, with percentage of GDP as the defining factor.

Analysts assessing vulnerability can also use the existence of parallel economies as a measure, i.e, whether the parallel economy is seen as a major or minor factor in a given money laundering situation or is not significant.

There have been no empirical studies of this element, but, confirmed information on money laundering practices indicates that the parallel economy is a major factor in money laundering in a number of areas, including: Burma, Dominican Republic, Poland, Colombia, Hong Kong, Mexico, Nigeria, Panama, Russia, Thailand, Venezuela, Pakistan, India and the United States (the fungible economy which operates on both sides of the border with Mexico). Parallel economies are considered a minor

factor in the money laundering situations in: Bolivia, Chile, China, Ecuador, Greece, Guatemala, Hungary, Korea, Kuwait, Lebanon, Macau, Taiwan, Italy, Netherlands, Turkey, United Kingdom, Argentina, Brazil, Costa Rica, Cyprus, Japan, Paraguay, Uruguay, Cote D'Ivoire, and St. Vincent & Grenadine. Parallel economies were not considered a significant money laundering factor in the other governments in the High, Medium-High, Medium and Low-Medium categories. There were not sufficient data to draw conclusions about the governments in the Low and No Priority categories.

## **CHANGES IN RANKINGS FOR 1996**

### **1. UPGRADES**

Russia	Medium-High to High
Turkey	Medium-High to High
Netherlands Antilles	Medium-High to High
Antigua	Medium to Medium-High
Austria	Medium to Medium-High
Cyprus	Medium to Medium-High
Israel	Medium to Medium-High
Dominican Republic	Low-Medium to Medium
Cambodia	Low to Low-Medium
Czech Republic	Low to Medium
South Africa	Low to Low-Medium
Seychelles	No Priority to Low
Slovakia	No Priority to Medium

### **2. DOWNGRADES**

Australia	Medium to Low-Medium
Nepal	Low-Medium to Low
Sri Lanka	Low-Medium to Low

## **EXPANSION OF THE INCSR DATA BASE**

From 1986 through 1995, the money laundering chapter data table listed comparative data on 10 elements for the 17 High Priority and 16 Medium-High Priority governments.

To give a fuller understanding of where governments stand in relation to each other on the broad range of elements which define legislative activity and identify other characteristics which can have relationship to money laundering activity, the 1996 INCSR data tables incorporate 25 elements for more than 190 governments.

Money Laundering Chart  
INCSR 1996

High Priority	Medium-High	Medium	Low-Medium	Low	No Priority	No Priority
Aruba	Antigua	Bahamas	Australia	Afghanistan	Albania	Madagascar
Canada	Argentina	Bahrain	Cambodia	Andorra	Algeria	Malawi
Cayman Isl	Austria	Belgium	Cote D'Ivoire	Anguilla	Angola	Maldives
Colombia	Brazil	Belize	Cuba	Barbados	Armenia	Mali
Germany	Costa Rica	Bolivia	Denmark	Bermuda	Azerbaijan	Marshall Isl
Hong Kong	Cyprus	Bulgaria	Egypt	BVI	Bangladesh	Mauritania
Italy	India	Burma	Portugal	Cook Islands	Belarus	Mauritius
Mexico	Israel	Channel Isl	South Africa	Estonia	Benin	Micronesia
Netherlands	Japan	Chile	Trinidad	F W Indies	Botswana	Moldova
N Antilles	Liechtenstein	China	Vanuatu	Finland	Burkina Faso	Mongolia
Nigeria	Luxembourg	Czech Rep		Ghana	Burundi	Mozambique
Panama	Pakistan	DominicanRp		Haiti	C African Rep	N Marianas
Russia	Paraguay	Ecuador		Honduras	Cameroon	N Korea
Singapore	Spain	France		Indonesia	Cape Verde	Namibia
Switzerland	Uruguay	Gibraltar		Iran	Chad	Nauru
Thailand	UAE	Greece		Iraq	Comoros	Nicaragua
Turkey		Guatemala		Ireland	Congo	Niger
UK		Hungary		Jamaica	Croatia	Oman
USA		Korea		Kenya	Djibouti	P N Guinea
Venezuela		Kuwait		Laos	Dominica	Qatar
		Lebanon		Latvia	El Salvador	Rwanda
		Macau		Lithuania	Eq Guinea	Saudi Arabia
		Madeira/Azores		Malta	Eritrea	Senegal
		Malaysia		Monaco	Ethiopia	Slovenia
		Montserrat		Nepal	Fiji	Solomon Isl
		Morocco		N Zealand	Gabon	Somalia
		Peru		Norway	Gambia	Sudan
		Philippines		Romania	Georgia	Swaziland
		Poland		Seychelles	Grenada	Tajikistan
		St Vincent/G		Sierra Leone	Guinea	Tanzania
		Slovakia		Sri Lanka	Guinea-Bissau	Togo
		Taiwan		St. Kitts	Guyana	Tunisia
				St Lucia	Iceland	Turkmenistan
				Suriname	Jordan	Turks & Caicos
				Sweden	Kazakhstan	Tuvalu
				Syria	Kiribati	Uganda
				Ukraine	Kyrgystan	US Virgin Isl
				Vietnam	Lesotho	Uzbekistan
				YugoslaviaFR	Liberia	W Sahara
				Zambia	Libya	W Samoa
						Yemen
						Zaire
						Zimbabwe

Actions by Governments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
HIGH PRIORITY																	
Aruba	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	N	
Canada	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	
Cayman Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	
Colombia	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	Y	N	
Germany	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	
Hong Kong	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	DP	Y	
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	
Mexico	N	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N	N	Y	N	
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	
N Antilles	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	N	Y	Y	N	N	
Nigeria	Y	Y	Y	Y	Y	N	Y	Y	Y	Y					Y	N	
Panama	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	
Russia	N	N	N	N	N	N	Y	Y	N		N	N	N	N	Y	N	
Singapore	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y	Y	Y	N	N	
Switzerland	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	
Thailand	N	N	N	N	Y	N	N	N	N	Y	N	N	N	Y	N	N	
Turkey	N	Y	Y	N	N	N	Y	Y	N	Y	N	N	N	N	N	N	
United Kingdom	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
United States	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Venezuela	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	N	
MEDIUM HIGH																	
Antigua	Y	N	N	N	Y	N	Y	Y	Y	Y	N	N	N	Y	Y	N	
Argentina	Y	N	Y	N	Y	N	Y	Y	N	Y	N	N	N	N	Y	N	
Austria	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	
Brazil	N	Y	Y	N	Y	N	Y	Y	N	N	N	N	N	N	Y	N	
Costa Rica	Y	Y	Y	Y	Y	N	Y	Y	N	N	N			Y	Y	N	
Cyprus	Y	Y	Y	Y	Y		Y	Y	Y	N	N	N	Y	Y	Y	N	
India	N	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	N	Y	N	
Israel	N	N	Y	N	Y	N	Y	Y	N	Y	N	N	Y	N	N	N	
Japan	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	
Liechtenstein	Y		Y		Y	N	Y	Y		Y				Y	N	N	
Luxembourg	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	
Pakistan	Y	N	Y	Y	Y	N	Y	N	N	N	N	N	Y	N	Y	N	
Paraguay	N	Y	Y	Y	Y	N	N	N	N	N	N	N	N	N	Y	N	
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	
Uruguay	N	Y	Y	N	N	N	Y		N	Y	Y	N	N	N	Y	N	
United Arab Emirates	N	N	N	N	N	N	Y	Y	N		N	N	N	N	Y	N	

Actions by Governments																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>MEDIUM PRIORITY</b>																
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Bahrain	N						Y	Y		N	N			Y	Y	
Belgium	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Belize	Y	Y	Y	N		N	N	N	N	N	N	N	N	Y	N	N
Bolivia	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	N
Bulgaria	N	N	Y	N	Y	N		N	Y	Y	N	N	N	N	Y	N
Burma	Y				Y					N				N	Y	N
Channel Islands	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	DP	
Chile	Y	Y	Y	Y	N	N	Y	Y	N	N	N	N	N	N	Y	N
China	N	N	N	N	N	N	Y	Y	N	Y	N	N	N	N	Y	N
Czech Republic	N	N	N	N	Y	N	Y	N	N	Y	N			N	Y	N
Dominican Republic	Y	Y	Y	Y	N		Y	Y	Y	N	N	Y	Y	N	Y	N
Ecuador	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	N
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Gibraltar	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	Y	N	N
Greece	Y	Y	Y	Y	Y	N	Y		N	N	Y	Y	Y	N	Y	N
Guatemala	N	N		N			N	N	N	N	N	N	N	Y	Y	N
Hungary	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y		N	N	N
Korea	N	N		N	N	N			N	Y	N	N		N	N	N
Kuwait	N	N	N	N	N	N		N		N	N	N	N	N	N	N
Lebanon	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N
Macau	N	N	Y	N	N	N			N	Y	N	N		Y	N	N
Madeira/Azores														Y	DP	
Malaysia	N				Y		Y							Y	Y	N
Montserrat	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y
Morocco	N	N	N	N	N	N	N	N		Y	N	N	N		Y	N
Peru	Y	Y	Y	N	Y	N	Y	Y	N	N	N	N	N	N	Y	N
Philippines	N			N					Y	Y	N	N		N	N	N
Poland	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	N	N	Y	Y
St. Vincent/Grenadines	Y	N	N	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y
Slovakia	Y	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	N
Taiwan	N	Y	Y	Y			Y	Y	Y	Y	N	N		Y	NA	NA
<b>LOW MEDIUM</b>																
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
Cambodia	N	N	N	N										N	N	N
Cote D'Ivoire	Y	Y	Y		Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Cuba	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Denmark	Y	Y	Y	Y	Y	N	Y	Y	Y		Y	Y		N	Y	Y

Actions by Governments																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Egypt	N	N	N	N		N	Y		N		N	N	N	N	Y	N
Portugal	Y	Y	Y		Y	Y	Y	Y				Y		Y	Y	Y
St. Vincent/Grenadine	Y	N	N	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y
South Africa	N	N	N	N	Y	N			N	N	N	N	N	N	N	N
Trinidad	Y	Y	Y	Y	Y	N	Y	Y	Y		N	N	Y	N	Y	N
Vanuatu	Y										Y				N	N
<b>LOW PRIORITY</b>																
Afghanistan	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	Y	N
Andorra														Y	N	
Anguilla										Y				Y	Y	
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y
Bermuda														Y	Y	
British Virgin Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Cook Islands															N	N
Estonia	N	N	N	N	N	N	N	N	N		N	N	N	N	N	
French West Indies																
Finland	Y			Y										N	Y	Y
Ghana	Y	Y	Y	N	Y	N	Y	Y	Y		Y	Y	Y	N	Y	N
Haiti	N													N	Y	N
Honduras	N			N						N				N	Y	N
Indonesia	N													N	N	N
Iran														N	Y	
Iraq														N	N	N
Ireland	Y				Y	Y	Y	Y						N	N	N
Jamaica	N	N	N	N	Y		Y	Y	N	Y	N	N	Y	N	Y	N
Kenya					N	Y	Y	Y						N	Y	N
Laos	N													N	N	N
Latvia	N	N	N	N	N	N					N	N	N	N	Y	N
Lithuania	N	N	N	N	N	N					N	N	N	N	N	N
Malta	N													Y	N	N
Monaco	N													N	Y	N
Nepal	N	Y		N	Y	N	Y		N	Y	N	N	N	N	Y	N
New Zealand	Y			N						Y	Y		Y	N	N	N
Norway	Y	N	N	N									N	N	Y	N
Romania	N			N	N	N		N	N	N	N	N	N	N	N	N
Sierra Leone														N	Y	
St Kitts & Nevis	Y	Y	Y	Y				Y		Y		Y		N	Y	
St Lucia	Y	Y	Y	Y				Y		Y		Y		N	Y	
Seychelles	N													N	Y	N
Sri Lanka	Y	N	N	N	N	N	Y	N	N	Y	N	N	N	Y	Y	N

Actions by Governments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Suriname	N			N						Y				N	Y	N
Sweden	Y	Y			Y	Y						Y		N	Y	Y
Syria														N	Y	
Ukraine														N	Y	
Vietnam														N	N	N
YFR/Serbia/Mntnegro	N													N	Y	N
Zambia	N													N	Y	N
<b>NO PRIORITY</b>																
Albania	N	N	N	N		N					N	N	N	N	N	N
Algeria														N	Y	
Angola														N	N	N
Armenia	N	N	N	N		N					N	N	N	N	Y	N
Azerbaijan	N	N	N	N		N					N	N	N	N	N	N
Bangladesh	N													N	Y	N
Belarus																
Benin	N													N	N	N
Botswana	N													N	N	N
Burkina Faso														N	Y	
Burundi														N	Y	
C African Republic														N	N	N
Cameroon														N	Y	
Cape Verde														N	Y	
Chad														N	Y	
Comoros														N	N	N
Congo														N	N	N
Croatia	N	N	N	N		N					N	N	N	N	Y	N
Djibouti														N	N	N
Dominica														N	Y	N
El Salvador	N									N				N	Y	
Equitorial Guinea														N	N	N
Eritrea														N	N	N
Ethiopia														N	Y	
Fiji														N	Y	N
Gabon														N	N	
Gambia														N	N	N
Georgia	N	N	N	N		N					N	N	N	N	N	N
Grenada						Y				Y				N	Y	N
Guinea														N	Y	
Guinea-Bissau														N	N	N
Guyana														N	Y	

Actions by Governments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Iceland	Y													N	N	N
Jordan	N													N	Y	N
Kazakhstan	N													N	N	N
Kiribati	N													N	N	N
Kyrgyzstan	N	N	N	N		N					N	N	N	N	Y	N
Lesotho	N													N	Y	N
Liberia	N													N	N	N
Libya	N													N	N	N
Madagascar														N	Y	N
Malawi														N	Y	
Maldives														N	N	
Mali														N	N	N
Marshall Islands														N		
Mauritania														N	Y	
Mauritius														Y	N	
Micronesia	N													N		
Moldova	N	N	N	N		N					N	N	N	N	Y	
Mongolia														N		
Mozambique														N	N	
Northern Marianas														N	N	N
North Korea														N	N	N
Namibia														N	N	N
Nauru														Y		
Nicaragua	N				Y									N	Y	N
Niger														N	Y	
Oman														N	Y	
Papua New Guinea														N	N	N
Qatar		Y	Y											N	Y	N
Rwanda														N	N	N
Saudi Arabia	N													N	Y	N
Senegal														N	Y	
Slovenia														N	Y	
Solomon Islands														N		
Somalia														N	N	
Sudan	N													N	Y	N
Swaziland														N	Y	
Tajikistan	N	N	N	N		N					N	N	N	N	N	N
Tanzania														N	N	N
Togo														N	Y	
Tunisia														N	Y	
Turkmenistan	N													N	N	N



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Actions by Governments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Turks & Caicos	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y		
Tuvalu														N	N		
Uganda														N	Y		
US Virgin Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N			
Uzbekistan	N	N	N	N		N					N	N	N	N	Y	N	
Western Sahara														N			
Western Samoa														N			
Yemen														N	N	N	
Zaire														N	N	N	
Zimbabwe														N	Y		
REVISED 2/22/96																	
DP=Dependent																	
NA=Not Applicable																	



## COMPARISON TABLE GLOSSARY OF TERMS

### 1. Criminalized Drug Money Laundering

The government has enacted laws criminalizing the offense of money laundering related to drug trafficking.

### 2. Record Large Transactions

By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments. An effective know-your-customer policy is considered a prerequisite in this category.

### 3. Maintain Records Over Time

By law or regulation, banks are required to keep records, especially of large or unusual transactions, for a specified period of time, eg, five years. An effective know-your-customer policy is considered a prerequisite in this category.

### 4. Report Suspicious Transactions

By law or regulation, banks are required (or permitted) to record and report suspicious or unusual transactions to designated authorities. An effective know-your-customer policy is considered a prerequisite in this category.

### 5. System of Identifying and Forfeiting Assets

The government has enacted laws authorizing the tracing, freezing, seizure and forfeiture of assets identified as relating to or being generated by money laundering activities.

### 6. Asset Sharing

By law, regulation or bilateral agreement, the government permits sharing of seized assets with third party governments which assisted in the conduct of the underlying investigation.

### 7. Cooperates with Domestic Law Enforcement

By law or regulation, banks are required to cooperate with authorized law enforcement investigations into money laundering or the predicate offense, including production of bank records, or otherwise lifting the veil of bank secrecy.

### 8. Cooperates with International Law Enforcement

By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party governments, including sharing of records or other financial data.

9. International Transportation of Currency

By law or regulation, the government, in cooperation with banks, controls or monitors the flow of currency and monetary instruments crossing its borders. Of critical weight here are the presence or absence of wire transfer regulations and use of reports completed by each person transitting the country and reports of monetary instrument transmitters.

10. Mutual Legal Assistance

By law or through treaty, the government is agreed to provide and receive mutual legal assistance, including the sharing of records and data.

11. Non-Drug Money Laundering

The government has extended anti-money laundering statutes and regulations to include non-drug-related money laundering.

12. Non-Bank Financial Institutions

By law or regulation, the government requires non-bank financial institutions to meet the same customer identification standards and adhere to the same reporting requirements that it imposes on banks.

13. Disclosure Protection

By law, the government provides a "safe harbor" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

14. Offshore Banking

By law or regulation, the government authorizes the licensing of offshore banking facilities.

15. 1988 UN Convention

The government has formally ratified the 1988 United Nations Convention Against Illicit Trafficking in Narcotic and Psychotropic Substances.

16. Compliance

The government is meeting the goals of the 1988 UN Convention, in terms of the effective application of implementing legislation.

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**Afghanistan.** (Low) Since little remains of Afghanistan's banking and commercial structure, its war-torn economy does not have the capacity to accomodate sophisticated money laundering schemes.

**Albania.** (No Priority) Proximity to major European drug markets, connections with organized crime in Italy, Turkey, former Yugoslavia, and elsewhere, and the emergence of an active network engaged in migrant and arms smuggling across the Adriatic enable narcotics traffickers to stay well ahead of enforcement efforts. The beginnings of money laundering in Albania have been reported despite the poorly developed banking system. Incomplete criminal legislation and a corrupt and inexperienced judiciary hamper effective prosecution of criminal elements.

**Andorra.** (Low) Although not a major financial center or money laundering haven, Andorra has enacted strong laws. Any act designed to conceal the origin of money or other assets derived from drug trafficking, prostitution, or terrorism, by a person who is aware or should have been aware of that origin, and any subsequent lawful use of such money or assets by such person, is punishable by imprisonment and fine. GOA law enforcement officials are investigating the possible use of the Andorran financial system by Colombian traffickers and money launderers.

**Anguilla.** (Low) Money laundering is considered minimal in Anguilla, a dependent territory of the United Kingdom. In 1993, the UK and Anguilla allowed the US to set up a "paper bank" in an undercover money laundering sting operation, which culminated in December 1994. This operation resulted in the arrest of 116 defendants and the seizure of more than US\$90 million in drug trafficker assets.

**Argentina.** (Medium-High) Argentina is an important regional financial center. Although growing amounts of money laundering are taking place in Argentina, the country is not yet considered to be a major money laundering center. Some money laundering is related to narcotics proceeds, but much of it consists of illicit funds from tax evasion, bribery, contraband, and other illegal activities. A very large share of transactions in Argentine financial institutions are denominated in US dollars and take place in cash.

In December 1995, the Argentine government hosted the Summit of the Americas Ministerial Conference on Money Laundering. Twenty six country delegations participated. At this meeting, Argentine officials announced the government's intention to establish a Financial Crimes Enforcement Network like the US Treasury's FinCEN. They also stated their intent to issue regulations which would require Argentine financial institutions to report large transactions, particularly those in cash.

There is no written agreement between the GOA and USG regarding money laundering specifically, but the MLAT covers exchange of information and evidence. Argentina has numerous bilateral anti-narcotics agreements with other countries which include cooperation against money laundering.

Money laundering is a criminal offense when explicitly linked to narcotics activity. There is no separate money-laundering law. There are no requirements for banks to "know, record and report on" customers involved in suspicious transactions. There are no "banker negligence laws." Voluntary guidelines of the two banking associations of private banks suggest that banking records be kept five years, but there are no legal requirements. Bankers are required by law to protect the identity of depositors, unless presented with a court order seeking specific information. The banking secrecy laws (incorporated in the central bank's charter) have left unclear how far bankers may go in voluntarily providing information, in the absence of a court order. There are no controls on the import and export of cash or other financial instruments.

There have been few cases prosecuted which were related exclusively to money laundering. To date no successful prosecutions have taken place for money laundering offenses. At the end of 1995, a federal judge ordered police to search 10 casinos in northern provinces based on suspicion that they were being used as fronts for money laundering operations. That investigation is ongoing.

Judicial and police officials systematically track assets when a narcotics arrest is made and seize assets when they are clearly connected with a narcotics crime. But narcotics traffickers can easily shield assets in Argentina. Asset seizures are made by the police with court authorization. Police, who are responsible for tracking money laundering, do not have adequate powers or resources to trace and seize assets. The total amount of assets seized in 1995 is not known. The GOA reacts positively toward USG efforts on this front and attempts to emulate USG success, including sharing of information among agencies. The GOA is active in the OAS on assets seizure discussions. National laws permitting sharing with other countries have not been tested. The Banking community cooperates informally in a limited way with law enforcement authorities on asset seizure.

**Armenia.** (No Priority) Due to the economic recession and major deficiencies in the present banking system, the amount of money laundered in Armenia is insignificant.

**Aruba & Netherlands Antilles.** (High) For 1996, the Netherlands Antilles joins Aruba on the High Priority list, reflecting increased USG concerns about the role these two parts of the Kingdom of the Netherlands play in money laundering in this Hemisphere. Offshore banking facilities, casino/resort complexes, high volume American tourism, and stable currencies continue to make Aruba and the Netherlands Antilles attractive to money laundering organizations. Neither government has taken all of the steps necessary to comply with international standards for money laundering countermeasures, including ratification of the 1988 UN Convention.

In both Aruba and the Netherlands Antilles, money laundering has been a criminal offense since December 1993. The law contains many strong features, including a wide range of predicate offenses, a knowledge requirement which allows for the prosecution of "willful blindness," a provision for corporate liability, and the provision of substantial penalties. Legislation establishing the legal requirement concerning customer identification and the reporting of unusual transactions became effective in both jurisdictions on February 1, 1996. The legislation also mandated the creation of a reporting center to analyze the reports of unusual transactions and, if necessary, to forward the reports to law enforcement for further investigation. The reporting centers became operational on February 1, 1996. These laws are supplemented and reinforced by the new "Money Laundering Guidance Notes" for banks and financial institutions issued by both central banks. The guidance notes set out detailed procedures concerning matters such as "know your customer" policies, sales of monetary instruments, book-keeping and wire transfer operations, reporting requirements, internal banking policies and procedures, record retention, staff training and the information to be provided to the central bank for its monitoring of money laundering deterrence and detection procedures.

Aruban and Antillian laws provide for the seizure and confiscation of proceeds or other property involved in or derived from money laundering or an underlying crime. A criminal conviction is a prerequisite for confiscation action, and it is necessary to prove that the money was directly derived from a specific crime. Proposed amendments to Aruban and Antillian law will give authorities more flexible powers including civil confiscation proceedings, and seizure before a criminal prosecution has been initiated. The amendments should be effective by the end of 1996.

Monetary laws have been established requiring financial institutions to verify the origin of cash deposits of ten thousand florins or more in on-shore banks in both the Antilles and Aruba, but this legislation does not apply to offshore facilities.

The pace of change has been disappointing given the commitments both governments made to adopting FATF standards, at a conference in Aruba in 1990, and their considerable participation in the Caribbean FATF. There is a question of political will, as corruption is believed to be a factor inhibiting effective enforcement. The impact of the recently passed anti-money laundering measures in both jurisdictions will depend on whether the laws being put into place are systematically enforced, and cases of money laundering prosecuted.

**Australia.** (Low Medium) Australia has pioneered money laundering and cash transactions reporting legislation designed to counter money laundering by organized crime. It is among the few who, like the United States, require direct reporting of significant as well as unusual transactions, and was the first to systematize the monitoring of wire transfers. The GOA ratified the UN Drug Convention, participates in the UN Drug Control Program, and is a leading member of the Financial Action Task Force. The Customs Act of 1901 and the Proceeds of Crime Act of 1987 allows for asset forfeiture and seizures in narcotics cases. The legislation is conviction-based.

(Note: during the eight weeks of preparing the INCSR, the group was inclined to accede to DEA's request that Australia be downgraded to Low-Medium priority. However, Australia's Austrac agency just recently reported that \$1 billion in US currency is available for laundering in Australia. That volume is grounds for keeping Australia at Medium. If we concur, all of the charts have to be changed.)

**Austria.** (Medium High) Notwithstanding important improvements in its anti-money laundering policies, the priority for Austria has been raised to Medium-High, both because of continued shortcomings in overall policy and because of indications that Russian organized crime groups are using Austrian accounts to launder the proceeds of crime there.

In 1994 new legislation took effect requiring all banks to report transactions suspected of involving money laundering. Government officials released the results of the first full year under the legislation (1994) in 1995: 346 transactions were reported as suspicious to the special force for organized crime, with accounts totalling AS 298 million (USD 29 million at current exchange rates) blocked immediately by court order. In the first five months of 1995, Austrian banks reported 110 transactions, of which AS 386 million (USD 38 million) were blocked.

Although the regulation on suspicious transactions has proved useful, shortcomings still exist. Officials believe that the existence of anonymous securities accounts is a more significant problem. In September, the government submitted to parliament a penal code amendment to expedite extradition; to expand judicial assistance; and to enable courts to confiscate property and assets on the presumption that these stem from illegal activities, unless the accused could establish the lawful acquisition of the assets.

Anonymous passbook savings accounts are another problem area, representing 95 percent of the total 26 million Austrian savings accounts in which \$150 billion USD is on deposit. Only Austrian residents are supposed to be able to hold anonymous passbook savings accounts, but banks require no proof of residency when opening an account. Banks are required to know and record the identity of customers, but they are not required to report customers engaging in significant, large currency transactions unless they are suspicious. Banks and financial institutes must keep identification records until at least five years after termination of the business relation with the customer; vouchers and record of transactions until at least five years after their execution. On February 13, 1996, The European Commission formally demanded that Austria take steps to abolish anonymity for all bank accounts stating that this facilitates money laundering and is inconsistent with EU anti-money laundering guidelines.

**The Bahamas.** (Medium) The passage of the new money laundering legislation reflects an increased emphasis by the GCOB on combating money laundering. In addition to the new legislation, the current US-Bahamas Mutual Legal Assistance Treaty (MLAT) authorizes, as an exception to bank secrecy laws, access to records in cases of suspected narcotics money laundering. The GCOB has agreed to an independent evaluation of its money laundering controls by the Caribbean Financial Action Task Force. The government had requested, however, that the evaluation be postponed until 1996 so that it would occur after the passage of the new money laundering law.



The GCOB has simplified procedures for registering shell corporations, known as international business companies (IBCS), which can issue bearer shares. Reporting requirements for IBCS, currently numbering over 38,000, are minimal and they could be used by criminals to facilitate money laundering. Under Bahamian law, the assets of a convicted drug offender are subject to forfeiture. A procedure also exists for the civil forfeiture of assets which are the proceeds of trafficking or which are used for trafficking. Over the last few years, the GCOB has had difficulty making effective use of the asset forfeiture tools available to it, in part because of the delays which plague the country's legal system. During 1995, however, a joint effort by the Ministry of Finance and Attorney General seemed to be producing positive results in this area. Moreover, during 1995, drawn-out forfeiture proceedings against valuable real estate formerly owned by Carlos Lehder, a Colombian kingpin now jailed in the United States, were completed, with the GCOB receiving uncontested title.

**Bangladesh.** (No Priority) The BDG has uncovered no evidence of money laundering in Bangladesh. The Department of Narcotics Control (DNC) proposed in 1994 to amend the 1990 Narcotics Control Act to encompass money laundering, extradition, and controlled delivery, but DNC officials say there has been no movement on this proposal in 1995. Provisions for court-ordered examination of financial records or confiscation of assets have been largely ineffective because of detailed burden of proof requirements which discourage poorly trained law enforcement officials from pursuing that avenue during investigations.

**Belize.** (Medium) Money laundering is considered a major potential threat in Belize. Over 1000 companies are registered under the International Business Companies Act (IBC). Belize Bank, a subsidiary of Belize Holdings, is the only entity authorized to register companies under the IBC. There are no laws in Belize making money laundering a crime. There are no laws regulating the movement of currency in Belize. Belize law also allows unrestricted use of bearer negotiable instruments to conduct financial transactions. Inadequate regulations governing off-shore investments are of concern. The GOB is considering new legislation governing this sector and is preparing legislation that will open up and govern off-shore banking as well. The GOB participated actively in hemispheric meetings which gave rise to a recent anti-money laundering communique.

**Belgium.** (Medium) Belgium is principally a transit country for illicit drugs bound for larger markets in Western Europe, but the recent volume of suspicious transaction reports suggests that Belgium is also a money laundering center. Belgian law enforcement agencies see a continued increase in drug trafficking from Asia and the Middle East via the countries which formerly made up the Soviet Union. The report by the financial analysis unit to the Ministries of Finance and Justice on suspicious financial transactions showed 352 transactions in the first ten months of 1995 which were referred to prosecutors for further investigation.

The special unit (CTIF) set up in 1993 to look into suspicious transactions reported by banks and other financial institutions actually reports cases; from January 12, 1993 to June 30, 1995, the unit transmitted 211 cases which involved 2,126 transaction reports. The large volume of cases and reports and the value of these transactions -- over usd one billion in the first ten months of 1995 -- is a significant volume for a country of 9 million inhabitants.

A Belgian law of 1990 provides criminal penalties for officials of financial institutions who engage in money laundering under a "due diligence" test whereby it need only be established that the officials knew or should have known that the transactions involved proceeds from criminal activity. Reporting a suspect transaction effectively immunizes a financial institution from criminal prosecution, so coverage is believed to be effective. A shortcoming of the Belgian law is that the Ministry of Finance may only report to prosecutors cases where there is evidence linking those involved in the transaction to specified criminal activities (which include drug trafficking), rather than a blanket provision covering all serious crimes. Officials involved in investigating these cases say that the majority involved exchange houses in Antwerp and Brussels being used by non-Belgian residents to convert money from the currency of the country of origin (especially pounds sterling) into the currency of the ultimate destination (most commonly the Netherlands). Most of the rest of the total seems to be tax fraud transactions, mainly involving the value added tax.

The 1990 money laundering law includes provisions to seize assets derived from illegal activities when sufficient specific, concrete evidence linking identifiable individuals is available to present to a court of law. However, asset forfeiture and seizure has been minimal to date. Belgium is a member of the Financial Action Task Force and has implemented the EU Directive on Money Laundering. Belgium has ratified the 1988 UN Convention.

**Benin.** (No Priority) Benin is not considered an important financial center in West Africa or in the world. There is no effective policy to deal with money laundering in Benin. The laws on the books do not adequately address the issue. There are no requirements to report significant cash deposits in banks. Even if there were such requirements, it is questionable how effective they would be given Benin's large informal sector which is essentially a cash economy. Significant cash deposits by market women are common and unremarkable. There are no indicators available describing the extent to which money laundering occurs in Benin, but determined money launderers in Benin probably do not have difficult obstacles to overcome.

**Bolivia.** (Medium) With total bank deposits of little more than US\$ 2 billion, the Bolivian financial system is not a significant participant in international, or even regional, money laundering. Money laundering is not a crime under Bolivian law, which provides instead strict bank secrecy standards. To gain access to bank records, law enforcement authorities must first obtain a court order and then file a request with the Superintendent of Banks. International cooperation on record-sharing is nil.

The Association of Banks has promulgated a code of conduct which calls on banks to be alert to the possibility of money laundering and to avoid dealings of a suspicious nature, but in the absence of sanctions and a relaxing of bank secrecy provisions, the code is likely to accomplish little. Resistance to change within the Bolivian financial sector reflects a long tradition of corruption, tax evasion and contraband.

On the brighter side, Bolivia signed a new extradition treaty with the United States in 1995 which will explicitly include drug money laundering as an offense and require extradition of Bolivian nationals.

According to the prevailing interpretation of Bolivia's constitution, a seized asset belonging to a narcotics trafficker may only be forfeited after the trafficker is convicted. Because all cases must be appealed to the Supreme Court, which is hopelessly backlogged, that can take years. While the case is in progress, maintenance and upkeep of seized assets is the responsibility of the government. On paper, the government has custody of over \$300 million in seized assets, but in reality it holds much less -- the result of fraud, theft, and deterioration of properties. As a partial remedy, the government issued a decree in late December permitting the auctioning of seized assets with the consent of the owner, with the proceeds available to the owner if and when he is found innocent. This should prove attractive to the government and traffickers alike in cases where assets depreciate quickly or require constant care (e.g., new automobiles, cattle herds). The government with technical assistance from the US Embassy is developing mechanisms for using the revenues generated for counternarcotics purposes.

#### **Botswana. (No Priority)**

**Brazil.** (Medium High) Gauging money laundering levels in Brazil is somewhat difficult, due to Brazil's failure to criminalize money laundering. A strong economy has increased the risk of money laundering in Brazil, and estimates of illegal funds circulating range from tens of millions to hundreds of billions of dollars. The Brazilian Justice Minister has stated that Brazil will become a haven for illegal capital if its controls continue to lag behind the rest of the world. There are reports of foreign criminal interests buying up failing businesses such as hotels, air taxi services, and transport, construction and insurance companies to serve as repositories for laundering illicit profits.

On the international front, Brazil's lack of domestic legislation has limited its ability to cooperate with other countries on money laundering investigations. The GOB did contribute positively to the Buenos Aires money laundering conference. The US/Brazil counterdrug cooperation agreement signed in April of this year calls for the parties to adopt and implement appropriate legislation on money laundering and asset forfeiture. During 1995, two US agencies (the Customs Service and FinCEN) presented seminars to Brazilian officials on measures to control money laundering.

The Cardoso administration intends to submit legislation to congress early in 1996 criminalizing money laundering and establishing a financial crimes intelligence center. The law is expected to follow OAS/CICAD recommendations in terms of easing bank secrecy, requiring suspicious transaction reporting, establishing effective currency reporting systems, and setting adequate sanctions for non-compliance.

**British Virgin Islands.** (Low) While sharing some degree of the vulnerability of other offshore centers, especially due to its chartering of international bearer share companies. Money laundering in the BVI is currently considered minimal by US agencies.

**Bulgaria.** (Medium) Bulgaria is not considered an important financial center, tax haven or off-shore banking center in the region. GOB officials consider Bulgaria highly vulnerable to money laundering both in the banking and non-banking financial systems although there is no hard data on its extent. The money laundering which does occur may relate to the sometimes illegal conversion of state assets to private hands and other forms of illegal trade, as well as to narcotics proceeds. There is no evidence that government policy or senior officials encourage, facilitate or engage in money laundering activities.

Bulgarian and US law enforcement agencies generally cooperate well in counternarcotics investigatory efforts and information-sharing. Information on in-progress Bulgarian criminal investigations subsequent to arrest is held in secret, but is releasable to foreign law enforcement agencies at the discretion of the prosecutor's office.

Although Bulgaria has signed and ratified the 1988 Convention and is also a signatory to the 1990 Council of Europe Convention on laundering, search, seizure and confiscation of proceeds from crime, it has not yet passed implementing legislation on money laundering. The GOB has no bilateral agreements with other countries on money-laundering.

Although the GOB has under a consideration a draft money laundering law to reflect its obligations under the 1990 Council of Europe Convention, money laundering is not now a criminal offense in Bulgaria, except in some cases where it constitutes criminal concealment of another crime. There have been no Bulgarian arrests or prosecutions for money-laundering, and the current lack of comprehensive financial legislation provides broad opportunities for traffickers to shield assets and launder money.

Banks are not currently required to report the identity of customers engaging in significant or suspicious, large currency transactions; the draft law under consideration would require banks to report large transactions only if they appeared suspicious and would not require regular reporting. Although there is bank secrecy protection under the law, banks are required to keep records to reconstruct significant transactions through financial institutions to respond to information requests from the government on criminal matters. This requirement also appears in the draft law. Such money laundering controls would be applied to money exchangers as well as banks.

There are controls on the ways money may be transferred into and out of the country. There are not, however, due diligence or banker neglect laws that make individual bankers responsible if their institutions launder money. The draft law would criminalize intent but not neglect in this regard.

Narcotics-related assets may be temporarily seized if directly related to a narcotics-related crime, but they can not be forfeited except in the context of a judicial sentence. The public prosecutor can request seizure of a legitimate business if used to launder criminal proceeds and hence conceal criminal activity. The GOB enforces asset seizure or forfeiture if mandated in a judicial conviction or in a court decision under the commercial code.

**Burma.** (Medium) The 1993 Narcotic Drugs and Psychotropic Substances Law brought the Burmese legal code into technical conformity with the 1988 UN Convention. As such, the 1993 law contains useful legal tools for addressing money laundering, the seizure of drug-related assets, and the prosecution of drug conspiracy cases. However, to date these provisions remain largely unused as Burmese police and judicial officials have been slow to implement the law, targeting few if any major traffickers and their drug related assets. The lack of vigorous enforcement against money laundering leaves Burma vulnerable to the growing influence of traffickers through the use of drug proceeds in legitimate business ventures.

**Cambodia.** (Low Medium) Cambodia shares borders with Thailand, Laos and Vietnam, the Golden Triangle of Southeast Asian heroin production and trafficking, a factor which, with indications of an emergent involvement in the movement of narcotics proceeds, prompts raising the priority from Low to Low-Medium.

Cambodia's two year old democracy, installed after elections in 1993, still faces an active, although diminishing Khmer Rouge insurgency. Laws and legal institutions are still being developed. Enforcement agencies are also in the initial stages of operation. National and municipal police charged with anti-narcotics (and indeed all) law enforcement activities lack basic training in basic law enforcement techniques and drug enforcement measures, including drug identification. They have no communications equipment and few facilities.

Cambodia has approximately 33 banks, but the national bank only recently received legal authority to regulate them. Previous attempts by the central bank to audit local banks are reported simply to have been thwarted by private guards hired by those banks. The Royal Cambodian Government, recovering from over twenty years of warfare and internal strife, is heavily dependent on external assistance, and most ministries, including those charged with police functions, have funds sufficient only to cover salaries. The lack of funds for training and operations, coupled with the newness of Cambodia's democratic institutions, make Cambodia a vulnerable target for drug traffickers and money launderers operating in Southeast Asia.

There are no empirical data about the current extent of drug trafficking and money laundering in Cambodia, but the size of one heroin seizure, coupled with anecdotal evidence, indicates a growing problem.

Cambodia's constitutional monarch signed a decree establishing a national counternarcotics authority whose chairmen are Cambodia's two prime ministers and whose vice-chairman is the minister of justice.

The ministry of justice, with assistance of an advisor from the UNDCP, concluded a draft of anti-narcotics legislation which was recently reviewed by the council of ministers, and is expected to be sent shortly to the national assembly. The legislation contains a provision outlawing the laundering of drug proceeds. The legislation commits the government to becoming a party to the 1961 Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances and the 1988 UN Convention.

**Canada.** (High) GOC officials estimate 80 percent of money laundering in Canada is international, i.e., money laundering occurs either from profits generated from drug sales in Canada, which must be laundered and returned to the source countries, or from drug money generated abroad, particularly in the US. Canada's advanced financial sector, lack of mandatory reporting requirements and proximity to the US make it attractive to drug money launderers especially for the placement of currency generated from the sale of drugs. Canada does not impose cross-border currency reporting. Its bankers continue to oppose mandatory reporting of suspicious transactions, although complying with other international standards for bank recordkeeping. Canada reports a high level of compliance with the voluntary reports.

According to a report issued by the Solicitor General, drug money laundering in Canada takes place in banks and deposit-taking institutions, currency exchange houses, front companies, real estate transactions and gold shops. Banks are the most commonly used means to launder and move drug money because of the prominence of their branches in traditional tax haven countries, such as the Bahamas and other Caribbean nations. Currency exchange houses, particularly those located in cities along the US border, are suspected of moving large amounts of drug money between the two countries. Currency exchanges, like banks and other financial institutions, are not required to report large or suspicious transactions to authorities although they are required to maintain records of large cash transactions for five years.

Bulk currency shipments continue to be an alternative for money launderers. In some cases, US dollars are smuggled in bulk across the Canadian border, where they are deposited into local accounts where they may then be wire transferred virtually anywhere in the world.

Canada and the United States have a tradition of close cooperation on law enforcement matters, and signed an asset seizure agreement in March, 1995, that provides for mutual asset sharing in joint investigations. In addition, Canada and the United States have a mutual legal assistance treaty and a customs mutual assistance agreement. Canada has seized record amounts of currency in successive years but actual forfeitures are negligible by comparison because of laws requiring proof of a direct link between seized property or currency and specific drug transactions.

**Caribbean Dependent Territories.** This chapter contains individual summaries on Anguilla, the British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands, because, notwithstanding their responding to a common policy, they have different degrees of vulnerability. The numerous offshore facilities in each island group may be abused by drug traffickers to launder money, although over recent years the UK has taken steps to tighten regulatory regimes and improve the quality of regulation in all of the territories.

Guidelines have been issued for new bank licenses, restricting such licenses to subsidiaries of established banks with effective home supervision. Given its tight secrecy laws and large offshore banking sector, the Cayman Islands are considered especially vulnerable to money launderers, particularly moving proceeds from the United States. The UK has extended the 1988 UN Convention to all of the CDTs, and each is subject to the US-UK mutual legal assistance and extradition treaties. Each of the CDTs, led by the Caymans, is working on an all-crimes money laundering statute to emulate recent British legislation. All of the territories are introducing "gateway" provisions in their financial services legislation to facilitate regulatory cooperation and to provide greater transparency with respect to beneficial ownership. Finally, as a further cooperative step, the UK is tentatively planning to move the Dependent Territories regional crime intelligence system from Tortola, BVI, to Miami, to facilitate increased liaison with US agencies. This follows the successful joint US-UK white collar crime team established two years when Scotland Yard stationed an officer in Miami to work with the FBI.

**Cayman Islands.** (High) The Cayman Islands have set the pace in the Caribbean for legislation complying with the 1988 UN Convention and other international standards, and, in 1995, adopted laws complying with Convention standards on asset seizure and forfeiture and control of chemicals. A dependent territory of the United Kingdom, the Caymans had already adopted mandatory reporting of suspicious transactions, controls on international transfers of currencies and other banking reforms, following on its criminalization of drug money laundering. The Caymans has also increased regulation of mutual funds and the insurance sector. Still, Caymans is one of the largest offshore financial service centers and remains attractive to money launderers because of its sophisticated banking services, tradition of bank secrecy, and the ease with which shell companies can be created. Shell companies are believed to play a significant role in Cayman Islands money laundering; there are an estimated 26,000 companies which, along with several hundred banks, cannot be closely monitored given Caymans resources. Much of the money entering the Caymans is believed to originate in the US and Cayman authorities cooperate closely with USG officials.

**Channel Islands & the Isle of Man.** (Medium) The Channel Islands (Jersey and Guernsey) and the Isle of Man are major tax havens. Offshore banking centers and banking is their major industry. Money laundering is a criminal offense as it relates to drug proceeds, and banks are required to report suspicious transactions. Local laws also provide for asset seizure and forfeiture, as well as asset sharing. The islands banking systems are considered attractive to money launderers and are vulnerable, given that the great majority of money is received by wire transfers and large sums of money are sent to North and South American as well as European destinations. Local authorities cooperate closely with DEA in identifying possible traffickers and conducting investigations.

**Chile.** (Medium) The new counter-narcotics and anti-money laundering laws went into effect in October 1995, a year after passage. The initial legislation was invalidated by the Supreme Court because of constitutional issues related to asset forfeiture. The GOC anti-money laundering task force began operations shortly thereafter.



The question with Chile, as with numerous other governments with new anti-money laundering laws, is how vigorously the government will implement these measures. This question is especially pertinent in Chile's case, given the dual aspect of a robust economy which has the potential to attract drug dollars as well as legitimate investment and a banking sector which is opposed to any incursions upon bank secrecy.

As the law is currently written, money laundering is illegal only if the suspect financial transaction can be tied to drug proceeds. No estimates are available on the volume of illicit proceeds from other criminal activity. No evidence indicates corruption of senior public officials as related to narcotics.

It is not yet clear whether if the new law will ensure the availability of records to the USG or other governments. This law has yet to be tested in the court system. Measures to open the veil of bank secrecy are under consideration, but not widely supported by the public or private sector.

The new law allows banks to report suspicious activities, but it does not require them to do so. Because of the newness of the law, it is uncertain whether bankers and others are protected by law with respect to their cooperation with law enforcement entities. On one hand, the law attempts to protect sources of information, but on the other hand, it tries to protect law-abiding businesses and investors from false accusations.

Chile has cooperated in a limited manner with the USG in investigating financial crimes. Financial records are difficult to obtain without a court order.

The new counter-narcotics law does not provide for the seizure and forfeiture of narcotics-related assets. The law does provide for fines, imprisonment, revocation of professional licenses, and temporary closing of places of business.

**China.** (Medium) China is not yet a major money laundering country whose activities in that sector impact the US. Chinese officials are aware of, and concerned about, the possibility that some investors in China may be engaged in money laundering. There is no money laundering law per se in China, but Chinese officials cite a law prohibiting covering up the source of assets and laws against fraud as also covering money laundering offenses. Officials are very concerned about increasing economic crimes and illicit flows of money across borders, and have sought to strengthen both international ties and regulatory efforts. PRC officials appear to be receptive to Financial Action Task Force (FATF) information and recommendations. They have received four FATF delegations in less than two years, and have actively participated in FATF's Asian seminars. However, China has not adopted FATF recommendations into law.

**Colombia.** (High) Money laundering is a natural corollary of the cocaine trade in Colombia. Law 190 of 1995, enacted in June, makes money laundering a crime, not limited to the proceeds of drug trafficking, but inadequate regulation of the financial industry continues to facilitate laundering of narcotics profits and investments in legitimate business.



The legislation must be strengthened and adequately enforced; the legislation alone has no deterrent value and traffickers continue to collect and enjoy their illegal profits. The GOC must prosecute money launderers, shut down their operations, and institutionalize anti-money laundering efforts.

Colombian financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency. Money laundering occurs both in the banking and non-bank financial system (exchange houses, travel agencies) and contraband, real estate and front companies.

Law 190 stipulates a penalty of three to eight years in prison for any person who "conceals, insures, transforms, invests, transfers, keeps in his custody, transports, administers, buys the material objects of a crime or the proceeds thereof, or makes such property/assets appear to be legal." Article 31 sets the sentence at four to twelve years if the value of the properties, the material object of the crime or the proceeds thereof, exceeds 1,000 monthly salaries (approximately USD 1.4 million). It also prescribes an increased penalty of one half to three fourths for cases involving kidnapping, extortion, or drug violations; if a foreign monetary/banking exchange was used in committing the crime; if property was introduced into the Colombian Customs territory; or if the crime was committed by individuals entering into a contract with individuals subject to inspection, control or supervision by the banking superintendent.

There have been no prosecutions for money laundering in Colombia. In December 1995 the Prosecutor General's Office (Fiscalia) established a special unit to investigate cases under the new law. The Fiscalia initiated an investigation of the finances of the Rodriguez-Orejuela family for possible violations of money-laundering provisions.

Since July 1995 the banking superintendency has levied fines of 20 million pesos each (approximately USD 24,000) against five major Colombian banks for failing to report suspicious transactions and accounts. All cases involved accounts at the Cali branches of banks showing high volume of activity involving large sums of money. The banking superintendency has stated that it intends to conduct more investigations of this nature, but that its personnel lack the technical expertise to analyze complex transactions and movement of funds. The superintendency has inquired into the possibility of US training assistance. The Fiscalia and the banking association agreed in December 1995 on a mutual training program on legal and financial aspects of money laundering.

Colombia's exchange control system requires that all financial institutions file reports on cash transactions exceeding USD 10,000, present a record of such transactions to the superintendent of banks every three months identifying the customers involved, and notify the authorities of suspicious activities. Bankers and others are protected by law with respect to their cooperation with law enforcement entities. Despite this protection, however, some bankers claim that failure to report is based partly on fear of reprisal. Colombia's financial statute requires due diligence and reporting to the banking superintendency while the new anti-corruption statute requires reporting to the Prosecutor General's Office (Fiscalia) and imposes criminal sanctions on bankers. Although some banks have been fined, no bankers have been prosecuted.

Colombia has not addressed the problem of international transportation of illegal-source currency and monetary instruments through specific legislation or policy, although laws regulating the international wire transfer of funds apply and there are controls limiting the amount of currency which can be brought into the country, but that law differs between citizens and foreigners.

Colombia has not adopted laws or regulations that ensure the availability of adequate records of narcotics investigations to appropriate USG personnel and those of other governments.

Colombia is a signatory to the 1988 UN Convention, and adopted formal articles of ratification. Due to reservations (in such key areas as extradition, asset forfeiture and money laundering), Colombia is not considered to be in compliance.

Money laundering controls are applied to non-banking financial institutions, but enforcement in this area is weak.

The Colombian National Police have cooperated with USG enforcement agencies on narcotics-related matters, within the constraints imposed by internal resources and capabilities -- but also the constraints inherent in a lack of legal authority, partially corrected by the 1995 law, the restraints on evidence sharing, and the restraints implicit in the uncertainties about the Colombian judicial process.

Colombia has not yet established effective systems for identifying, seizing and forfeiting narcotics-related assets. The GOC signed an MOU with the USG in July 1990 which is the basis for the United States to transfer assets forfeited in the United States with the assistance of the GOC. Asset seizure and forfeiture provisions embodied in Law 30 of 1974, amended in 1986, are inadequate. The GOC promised passage of stronger asset seizure and forfeiture legislation during 1995, but did not fulfill the promise. Obstacles in passing such legislation include the efforts made by narcotics traffickers to suborn and intimidate legislators. Under the current law, property rights are forfeited only if the individual is convicted of a crime or if the owner does not legally defend those rights within a year after being summoned. However, the GOC's inability to compile evidence and to prosecute and convict defendants on criminal charges brings into question the validity of the entire process. Few cases result in conviction. There are also legal loopholes which allow traffickers and others to shield assets. In practice many assets are seized but few are forfeited. The following assets can be seized and forfeited pursuant to judicial action: instruments of crime (such as conveyances used to transport narcotics), farms on which illicit crops are grown, and intangible property (such as bank accounts). To date, no business has been seized permanently for being used to launder drug money or other criminal proceeds.

In December 1995 the Colombian Senate passed a bill with an amendment (the so-called "narco-mico") which would have made prosecution for the crime of illicit enrichment virtually impossible, and would have effectively derailed ongoing illicit enrichment cases such as the "Caso 8000." The Camara (lower house) unanimously rejected the amendment; however, the Senate may attempt to reintroduce such a measure. Even in the absence of

the narco-mico, conviction for illicit enrichment is nearly impossible. To date no such conviction for narcotics-related illicit enrichment has been achieved. Legislative attempts spurred by narco-traffickers to water down laws are not uncommon. Various politicians and legislators have attempted to modify or abolish the regional "faceless" justice system, which provides prosecutors or judges with anonymity.

The Colombian bankers association has declared its support for money laundering countermeasures. The banking community cooperates with enforcement efforts to trace funds and seize bank accounts to some extent. However, there is still general reluctance to be forthcoming. Traffickers have taken retaliatory actions related to money laundering investigations, government cooperation with the USG, and seizures of assets in the form of legislative challenges as well as threats and intimidation of GOC officials.

**Costa Rica.** (Medium High) Money laundering remains a serious problem in this busy banking center, giving rise both to mercurial accounts and fraudulent schemes. Costa Rica has yet to fully address the challenge posed by money laundering activity. Some launderers smuggle funds into the country and convert them into Costa Rican currency before depositing them into bank accounts. In the past, others, posing as entrepreneurs, apparently laundered dollars through purchases of tax payment certificates (CAT) which were designed to promote exports. While CAT certificates are no longer being issued, there is suspicion that revenues from drug trafficking are finding their way into real estate and tourism developments. Recent liberalization of the banking system facilitates money laundering by allowing virtually unrestricted exchange of the colon at near market rates through commercial banks and certain other financial institutions. No allegations have arisen regarding encouragement, facilitation, or involvement of senior officials in money laundering.

In 1995, Costa Rica established a national money laundering commission comprised of officials from government ministries and the banking sector. The GOCR is considering amendments to this law to incorporate the CICAD Model Regulations with appropriate changes to avoid constitutional problems. Officials are also considering changes to laws governing banking secrecy and access to information. Costa Rica joined the Caribbean Financial Action Task Force (CFATF) and ratified various international accords on money laundering. Three CFATF experts conducted a "mutual evaluation" of money-laundering controls in October. Costa Rica plans to host the 1996 CFATF Ministerial Level Meeting.

Costa Rican law establishes drug related money laundering as a criminal offense. Prosecutors, however, must prove that a defendant knew the funds came from drug trafficking, thereby making convictions difficult. Nonetheless, a Costa Rican court convicted drug trafficker Ricardo Alem of a 1988 money laundering offense in April after several trials. Banking secrecy exists, but courts may order national banks to reveal information on specific accounts. Laws require banks to maintain records, report suspicious transactions, and file large cash transaction reports.

Costa Rica has not yet signed bilateral agreements to share in the proceeds of successful money laundering or narcotics trafficking investigations. The GOCR has passed legislation and implementing regulations to facilitate the freezing and seizure of assets. The National Drug Council, under the Ministry of Justice, enforces Costa Rica's asset seizure law. The council is scrupulous in ensuring that the assets of traffickers are seized and either are sold or put at the disposal of drug related enforcement entities.

**Cote D'Ivoire.** (Low Medium) Cote D'Ivoire is an important financial center in West Africa. To the extent money laundering occurs, a significant portion is related to narcotics proceeds, and involves the banking system. Illicit activities are primarily related to heroin and cocaine, and money laundering proceeds are typically foreign owned, rather than owned by local trafficking organizations. The GOCI's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of US currency or currency derived from illegal drug sales in the US

There is no formal mechanism for exchanging adequate records in connection with narcotics investigations and proceedings. Nonetheless, to the extent feasible, the GOCI has indicated willingness to respond favorably to any request. The GOCI has not adopted any laws or regulations that ensure the availability of adequate records of narcotics investigations to appropriate usg personnel and those of other governments. Cote D'Ivoire is a signatory to the 1988 Vienna convention and has adopted the formal articles of ratification. The GOCI has not entered into any bilateral agreements with any countries for the purpose of exchanging information on money laundering.

Money laundering from drug and non-drug crimes is a criminal offense. Banks are required to maintain records on large currency transactions; to report the data to the GOCI; and to maintain for an adequate time the records necessary to reconstruct significant transactions through financial institutions. Bankers are protected by law with respect to their cooperation with law enforcement entities. The GOCI has, to date, not been formally requested to cooperate with any law enforcement agency of the usg in investigating financial crimes related to narcotics. The GOCI has not addressed the problem of international transportation of illegal-source currency and monetary instruments. There are controls on the amount of currency which can be brought into and out of Cote D'Ivoire. Individual bankers are not accountable for the activities of their institutions. Money laundering controls are not applied to non-banking institutions. There were no arrests or prosecutions for money laundering in 1995.

**Cuba.** (Low Medium) The growing tourist trade, Cuba's aggressive pursuit of foreign investment, the establishment in Cuba during 1995 of several foreign banks, and Cuba's procedures for purchasing materials around the US trade embargo through third countries like Panama provide a potential framework for significant money laundering operations. Should Cuba permit shell corporations and protected bank accounts so as to compete with its neighbors, it could attract substantial sums of licit and illicit funds.

However, at present, the Cuban Peso is not accepted in international markets and Cuba is not considered an important financial center in the Caribbean region. There is little evidence to support or refute Cuba's claim that no corruption, including money laundering, occurs in Cuba. The exact quantity of US dollars in Cuba is unknown.

The Cuban penal code has no specific provision making money laundering a criminal offense. Section 4 of Article 190 of the code states that anyone who "helps or assists" drug offenders is subject to the same sentence as the offender. There are no known requirements for banks to report large currency transactions or other suspicious transactions. There were no reported arrests or prosecutions for money laundering during 1995. Cuba has no specific system for seizing and forfeiting assets derived from international narcotics trafficking, although the government regularly seizes and retains property suspected of being connected with illegal activity.

The lack of preventive action by the Cuban government and the potential for abuse prompt its inclusion in the Low-Medium category -- a country to be watched.

**Cyprus.** (Medium High) Despite passage of anti-money laundering and asset seizure laws, Cyprus is of increasing concern to the US as a center for laundering proceeds from a range of serious crimes, not limited to drug trafficking. The ranking for Cyprus has been raised to Medium-High -- a country where the US hopes to see remedial action and countermeasures in the coming year.

The certainty that performance, not just the passage of laws, is the true measure of political will, is well confirmed by the situation in Cyprus. Drug money laundering is but one of the USG financial crime concerns which have a common root in the penetration of Cyprus by organized criminal elements. A central question, given the laws and regulations which are described below, is why the situation is worsening. Just three years ago, the INCSR report said money laundering occurred outside the banking system, that Cyprus was a meeting ground where money and drugs were transferred.

Now, it is apparent that the concerns expressed in the 1995 INCSR were well-founded. There is increasing evidence of activity by Russian organized crime groups and other criminals exploiting some of the more than 15,000 offshore companies registered on Cyprus. There is also heightened concern about the offshore banks which have been established in Turkish Cyprus, and the possibility of a conduit for moving illicit funds to and from Turkey through branches of these banks located on the Turkish mainland. Not least, there is the concern that Cypriot banks have been used to facilitate financial crimes.

In July, the Cypriot Parliament ratified the Council of Europe convention on "laundering, search, seizure and confiscation of the proceeds from crime," which criminalizes money laundering from all illicit funds. Legislation to implement the convention is currently being drafted. The challenge Cyprus must confront is to implement as well as pass that legislation. Parallel to this legislative activity, cooperation between Cyprus and other countries in the field of mutual legal assistance, training and exchange of information is likely to be significantly strengthened.

The Cyprus police force has organized a working group of financial investigators and central bank officials to identify suspicious banking transactions and accounts. The central bank requested that all banks appoint a member of their managerial staff as the "money laundering compliance officer" to report suspicious transactions to the police. The central bank has also recommended that bank employees participate, on an on-going basis, in special training programs to combat money laundering.

The central bank, in cooperation with the association of commercial banks, is preparing a "code of conduct" to prevent the criminal use of the banking system for the purpose of money laundering.

Restrictions on foreign ownership of property and controls on currency and bullion transiting Cyprus are among the measures which discourage efforts to launder money through the domestic economy. Cyprus law strictly controls the amount of money that residents and non-residents can take out of the country each year. The central bank of Cyprus approves foreign currency accounts by authorized dealers and monetary activities in general. Cyprus customs and excise department closely monitors more stringent currency declaration requirements for transiting passengers.

Cyprus has a growing offshore banking sector comprised of a reported twenty banks. The central bank has supervisory powers over both sectors and has monitored large cash transfers to the offshore sector. Cypriot offshore banks may not accept foreign currency cash deposits unless accompanied by the appropriate customs declaration form. Over the years, the central bank has issued a series of circulars and recommendations to the financial sector, aiming to combat money laundering through the financial system. All banks in Cyprus, including domestic and offshore, have been requested to implement the recommendations (including "know your customer" policies). Also all banks are to notify the central bank of any cash deposits over usd 10,000 in local or foreign currencies.

**Czech Republic.** (Medium) Intensified concerns about the money laundering problem prompted raising the priority for the Czech Republic from Low to Medium.

Money laundering in the Czech Republic started to become a problem with the onset of (mostly) Russian organized crime activities in Czechoslovakia and the opening of the Czech economy. Recognizing its vulnerability to trafficking and money laundering, the government continued vigorous police efforts against trafficking; gave police the power to conduct undercover operations; and proposed a money laundering law.

The proposed law, introduced in November 1995, would criminalize money laundering, and, in addition to the current requirement for reporting all transactions above 100,000 crowns (which would rise to 500,000 Crowns or about US\$38,000), require banks and all other financial institutions to confirm and retain records of identification for persons conducting transactions above that level, and also require them to report unusual transactions. A lower reporting threshold of 200,000 Crowns would be required for casinos, and 100,000 crowns for exchanges.

The proposed law would require reporting of cash crossing the Czech border. The Czech Republic signed the Council of Europe's convention on money laundering, seizure, and confiscation of proceeds from crime in December. As a successor to the Czech and Slovak Republic, the Czech Republic is a party to the 1988 UN Convention.

While the government has enacted laws authorizing asset forfeiture related to money laundering, it does not permit the sharing of funds. Similarly, banks are required to cooperate with domestic investigations, but are not permitted to cooperate with investigations by other governments.

**Denmark.** (Low Medium) There were no known cases of money laundering in Denmark in 1995, where both drug and non-drug related money laundering are crimes. Denmark has complied with FATF recommendations and requirements of the 1988 UN Convention.

**Dominican Republic.** (Medium) The Dominican Republic is not yet an important financial center nor an important tax haven or offshore banking center. But, indicators warn of its potential increased importance as a venue for money laundering. Those indications, coupled with an absence of preventive measures and enforcement actions, prompt raising the priority from Low-Medium to Medium for 1996.

President Balaguer took a very positive step on December 18, 1995, when he signed into law amendments to the narcotics laws which establish penalties for money laundering activities, require financial institutions to report suspicious transactions, and provide for seizure of assets derived from crime. The Bank Superintendent's Office and the National Drug Control Directorate are charged with enforcement of the new law. Financial institutions are now required to supply the courts, the National Drug Control Directorate and other government security agencies with any information they request, as soon as possible.

Foreign exchange transactions are legally supposed to go through the commercial banking system, but an informal process also exists for such transactions. Bank regulations have been modified to allow dollar accounts, but without further modification of the law, this is not profitable. There is no provision for money laundering in the new financial monetary code. Money gained from illegal drug activities by Dominicans in the United States is widely used to purchase or finance legitimate businesses, but there is no statistical data available as to the amount. The DNCD Financial Action Task Force exists in name but has been powerless to act. There have been no arrests for money laundering related offenses in the Dominican Republic. The GODR has been responsive to USG requests for information and assistance. Dominican representatives attend CFATF meetings. Money laundering is not a criminal offense. There are no restrictions on the importation of hard currency and up to US\$ 5,000 can be freely exported. Justifications for larger movements are not difficult to obtain. There is no law allowing for the sharing of seized assets with other countries. There are no due diligence or banker negligence laws. While on paper the CND receives proceeds and disburses them for law enforcement and prevention programs, in reality few assets are turned over by the courts. Some seized airplanes, for example, are still in the legal process after 12 years.



Shielding assets is not difficult. The CND court watch program now focuses only on assets in any given case. The current law allows only for criminal forfeiture. To our knowledge, traffickers have taken no retaliatory actions. There is a bank secrecy law in the country, but the superintendent of banks has full access to commercial bank records. Banks are usually willing to cooperate with law enforcement agencies.

**EASTERN CARIBBEAN.** The decline of traditional one-crop economies and the continuing development of "offshore" financial services have enhanced the vulnerability of the region to the lure of drug money. According to 1993 estimates prepared by the Bank for International Settlements, over 5 billion US dollars of a worldwide total of 12 billion in offshore banks were placed in the Caribbean, as a whole, with perhaps two-thirds as much in other offshore financial instruments. The Caribbean has long been regarded as a haven for money laundering operations, which pre-dated the narcotrafficking boom, but developed in parallel to the expansion of drug trafficking and transit.

In the Eastern Caribbean, where the phenomenon is newer than elsewhere in the region, few jurisdictions have been able to develop adequate mechanisms for regulation and oversight of the offshore industry. A significant feature in 1995 is the expansion of non-drug money laundering, including from the former Soviet Union.

The heads of government of the regional organization CARICOM issued strong statements calling for enhanced efforts to counter money laundering. In July 1995, CARICOM prime ministers agreed on the coordination of money laundering laws. CARICOM member states' central banks promulgated guidance notes to bankers for money laundering prevention in June 1995. According to these guidelines, bankers are encouraged to practice due diligence in dealing with clients, to keep good records, and to remain vigilant for suspicious transactions. There were, however, no reports of successful prosecutions for money laundering in any of the Eastern Caribbean nations, although some countries instituted proceedings to restrain the assets of accused drug traffickers pending completion of their trials.

In 1990, the Caribbean basin states and territories (26 jurisdictions by 1995) joined to create the Caribbean Financial Action Task Force (CFATF), a joint effort in the region modeled on the Paris-based FATF. In 1994, a secretariat was established in Port of Spain, Trinidad and Tobago, to promote anti-laundering measures in its members and to serve as a coordinator and focal point for donor assistance. The Caribbean region has begun to implement CFATF/FATF recommendations, which center on implementation of anti-laundering laws already in place. The first step, self-assessment, was performed in 1994-1995 in all 26 jurisdictions. The results were presented, with analysis, to the ministerial meeting in May 1995. Resolutions adopted included the organization of national committees on money laundering. CFATF performed mutual evaluations of the Cayman Islands, Trinidad and Tobago, and Costa Rica. CFATF assisted in the evaluation of Aruba and the Netherlands Antilles, within the context of an FATF evaluation of the Kingdom of the Netherlands.



**Antigua and Barbuda.** (Medium-High) Antigua continues to be one of the more vulnerable financial centers in the Caribbean yet its government has failed to take preventive measures. The US concern about that vulnerability prompts an increase in the priority to Medium-High for 1996. However, we note that the Antiguan government prepared a draft of new anti-money laundering legislation, to be submitted to parliament in early 1996, focusing on the regulation of financial institutions.

Antigua has an active offshore financial services industry, which has experienced rapid growth in recent years. In 1995, the number of offshore banks increased by about 75 percent to 42. Several of these banks have links to Russia, generating concern about investors and depositors whose funds are of unknown origin. The casino industry provides an opportunity for non-bank money laundering. Strict bank secrecy laws protect confidentiality of depositors, except in cases of violation of Antiguan law, which includes drug cases. The financial services/offshore banking industry is, in practice, unregulated. Bank licenses are freely granted by the Minister of Finance without the involvement of any recognized central bank. There are no mandatory reporting requirements for either large or suspicious transactions. This situation enhances the potential for abuse by those seeking to launder the proceeds of crime.

The Proceeds of Crime Act covers funds earned or received from money laundering of narcotics proceeds. One reported seizure, based on a US case, may have netted the government several million dollars.

**Barbados.** (Low) The offshore financial services industry continues to develop in Barbados, with particular prominence given to companies based in Canada. Due to favorable tax treaties, Barbados is characterized as a low-tax rather than no-tax jurisdiction. Government officials repeatedly assert their determination to maintain a financial industry free of taint. This was underscored at the end of 1995 in a speech by the Attorney General to the Hemispheric money laundering ministerial conference in Buenos Aires, echoing a theme earlier presented to the banking community by the trade minister. Barbados signed an MLAT with the United States in August 1995.

The government keeps the financial sector under surveillance, and limits "tax haven" privileges. In 1995, at least one financial services operator was denied permission to operate because a background check revealed a history of money laundering. Strong offshore bank laws and enforcement, backed by existing currency controls, provide a defense against the threat of laundering. Banks are expected to report large and unusual transactions voluntarily. Barbados has organized a CFATF-recommended national committee on money laundering. Sector growth will likely increase the potential for abuse.

**Dominica.** (No Priority) Money laundering is believed to be minimal, due in part to the underdeveloped financial sector. Some domestic-based trafficker groups launder proceeds through non-financial sectors of the economy. The government has ratified the 1988 UN Convention and criminalized money laundering. There are controls on the export of money and a requirement for banks to report unusual foreign exchange transactions.

**Grenada.** (No Priority) In part as a result of the limited development of the financial services industry, there is no evidence of significant money laundering.

**St. Kitts and Nevis.** (Low) The announced determination of the newly elected government in 1995 to develop a financial services industry has raised the risk of money laundering activities. Substantial trafficking through St. Kitts and trafficker activities have put this mini-state at greater risk for money laundering. Some money laundering may have occurred in 1995 through the purchase of substantial real and business property. Nonetheless, the overall volume is relatively low.

**St. Lucia.** (Low) Under the proceeds of the crime bill, money laundering is illegal and there are controls on foreign exchange. Officials are adamant about protecting their banking system by ensuring adherence to offshore banking laws. There are some instances of money laundering. In 1995, a new anti-money laundering coordination group was formed under the attorney-general. The government of St. Lucia was considering steps to develop an offshore banking industry.

**St. Vincent and the Grenadines.** (Medium) There have been indicators over the past year that both domestic and foreign funds earned from drug trafficking and other crimes are laundered here. Moreover, there have been allegations of corrupt payments and loans to public officials. Offshore activity is conducted without any effective regulation. Being outside the direct control of the Eastern Caribbean central banks, the offshore industry is administered only by local officials.

St. Vincent has strong laws which are in full consonance with the 1988 UN Convention. Authorities have cooperated, when requested, with US agencies on laundering cases. In recognition of the money laundering challenge, the government invited a UK financial investigating officer, who worked with the St. Vincent police from January-July 1995. His efforts resulted in the freezing of approximately 300,000 US dollars in assets from a drugs case awaiting trial, and a further US\$350,000 in the bank accounts of a second, alleged drug trafficker. The continuation of this work since the officer left has come under question.

**Ecuador.** (Medium) While Ecuador is not considered an important financial center in its own right, it is widely viewed as a significant center for money laundering activities, largely because of its proximity to Colombia and the close economic and social ties between the two countries.

Money laundering is illegal under the 1990 narcotics law. However the law lacks specificity, stating only that it is illegal for anyone to try to hide the proceeds of drug trafficking activity. There is no specific mention of the words "money laundering" or any comparable terminology. There is no requirement in Ecuadorian law for officials of financial institutions to exercise due diligence against money laundering activities. Another weakness in the law is that it makes it illegal to help another party to launder money, but does not criminalize laundering one's own money. The GOE has advised that it intends to correct this legal loophole.

Money laundering occurs in both the banking system and the non-banking financial system. Most narcotics-related money laundering stems from the sale of cocaine, although as heroin production increases in Colombia, the percentage of money laundering due to heroin sales profits will undoubtedly increase as well. The great bulk of laundered money is believed to be owned by Colombians. Estimates of the annual value of money laundered in Ecuador range in the hundreds of millions of dollars. Ecuador has signed an agreement with the United States to share information on currency transactions over \$10,000, but the agreement has not yet been tested. In late 1994, The Superintendent of Banks issued new instructions to all banks to require them to keep internal records on the identity of persons engaging in these large transactions. The National Drug Council issued instructions to all Ecuadorian financial institutions in late 1995 requiring them to file regular reports on individuals engaging in large transactions. The information will be stored in a computerized data bank, and then be readily available for sharing with the police and the USG under the terms of the bilateral agreement.

Ecuador has ratified the 1988 UN Convention, and cooperates with the USG on money laundering investigations and has received from the USG assets seized with its assistance from Ecuadorian narcotraffickers.

The GOE intends to issue instructions requiring all persons entering or leaving Ecuador to declare any negotiable monetary instruments above a certain amount; however, there would be no limit on the value of these instruments that could be transported.

The Ecuadorian association of private banks has drafted its own manual on banking procedures to prevent money laundering. There are different points of view as to the liability of bankers who report suspicious transactions, but bankers often cite the potential to be sued for moral defamation as one reason for not reporting suspicious transactions. Several banks maintain offshore offices, but these have come under closer regulation under the 1994 banking reform legislation. Exchange houses (casas de cambio) and other financial institutions are equally controlled under the banking regulations.

Ecuadorian law permits the GOE to temporarily seize practically all assets belonging to narcotics traffickers, as well as those assets legally held by other persons where the GOE can make a credible case that the assets actually belong to the trafficker. The banking community has cooperated in several such cases, beginning with the Reyes-Torres arrest in 1992, and as recently as the Edgar Sisa case in 1995.

**El Salvador.** (No Priority) El Salvador has ratified the 1988 UN Convention. The USG is not aware of any significant money laundering activity.

**Egypt.** (Low-Medium) There are no anti-money laundering laws in Egypt, which is still trying to attract hard currency deposits. Egypt, which is not an important financial center in the region has not addressed the problem of the international transportation of illegal-source currency and monetary instruments. There are no controls on the amount of currency which can be brought into or out of Egypt. Individual bankers are not held responsible if their institutions launder money. However, the GOE reportedly continues to study amendments to improve the monitoring and investigation of suspect funds.

**Estonia.** (Low) Authorities profess serious concern about financial crimes, especially money laundering, as Estonia's role as a regional financial center grows. Law enforcement officials recognize that they are ill-prepared to deal with sophisticated financial crimes. Beyond seeking additional training for police, the government has still to enact laws that make money laundering an offense.

**Ethiopia.** (No Priority) There is no evidence that Ethiopia's archaic banking system is used for money laundering.

**Finland.** (Low) A major development in Finland in 1994 was the criminalization of money laundering, thereby making this an illegal and punishable act. Significant strides towards effective use of this legislation as a basis for prosecutions were made in 1995. Finnish officials believe that little money laundering takes place in Finland.

**France.** (Medium) France's asset seizure law is considered one of the strongest in western Europe. Money laundering legislation pending in the national assembly will strengthen criminal penalties for money laundering and further expand authority to seize, secure and share assets. Undercover work by police and customs officers is permitted in money laundering cases but is used very selectively. Some American law enforcement techniques, such as "sting" operations, are legal, but have not been widely accepted or employed.

A finance ministry office (TRACFIN) conducts initial investigations of suspicious bank activities; it refers money laundering cases to a magistrate for subsequent referral to the police or customs for more extensive investigations. Before cases are referred to a magistrate, however, TRACFIN must establish at least a possible connection to drug activity.

Some money laundering takes place in the French Caribbean, and drug proceeds may enter the French banking system through Caribbean branches. St. Martin, in particular, is considered a site for money laundering.

**French West Indies.** (Low) Martinique, Guadeloupe and French Guiana are departments of France, subject to French law. Money launderers are active in the islands, especially on the French side of St. Martin and on St. Barthelemy, which are part of the Guadeloupe department. The free port status, offshore banking, heavy flow of tourists and easy access to the less-controlled Dutch half of St. Martin make that island the most susceptible to money laundering. The expectation is that additional money laundering legislation, including strengthened criminal penalties and authority to seize and share assets, will be enacted in early 1996. Drug proceeds enter the French banking system through branches in the Caribbean.

**Georgia.** (No Priority) While there is no anti-money laundering legislation in place, the small scale of the economy and lack of an effective electronic bank transfer and clearing system makes it unlikely that Georgia will become significant in this area.

**Germany.** (High) Money laundering in Germany involves narcotics proceeds as well as proceeds from other illegal activities. Two significant cooperation cases between DEA and BKA have highlighted the increased use of Germany as a money laundering center by international drug trafficking organizations. Money laundering occurs in both the banking system and the non-bank financial system, and money laundering proceeds are controlled by both local and international organizations. According to press accounts, money laundering has increased to approximately DM 80 billion (US\$57 billion) annually. Banks appear to be the main medium of exchange; lawyers and tax accountants are also involved.

German authorities have taken several initiatives to curb this activity, including new legislation, while also seeking cooperation from other governments. There are reports of German financial institutions being used for currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency, and currency derived from illegal drug sales in the United States. Germany has cooperated with law enforcement agencies of the USG and other governments investigating financial crimes related to narcotics; for example, FRG and US authorities have identified suspicious accounts and cooperated in obtaining further background information on the account holders.

Money laundering is a criminal offense (both drug-related and other criminally-related money laundering). Banks and other financial institutions are required to know, record, and report the identity of customers engaging in significant, large currency transactions. They are required to maintain necessary records to reconstruct significant transactions through financial institutions in order to respond quickly to information requests from appropriate government authorities in narcotics-related cases. Germany requires that financial institutions report transactions of more than dm 20,000 (approx US\$ 14,300) to state central authorities. The banking community cooperates with enforcement efforts. Bankers are protected by law with respect to cooperation with law enforcement entities. There are no controls on the amount of currency which can be brought into or out of Germany. Money laundering controls are not applied to some non-banking financial institutions, such as exchange houses. The controls, however, are applied to other financial institutions, such as insurance companies.

The government has the authority to forfeit seized assets and the law allows for civil and criminal forfeiture. But other than normal inventory procedures, Germany has not established separate systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets; nor has it enacted laws for sharing seized narcotics assets with other governments; nor is new legislation being considered. The obstacles to passing such laws are political. Weakness in reporting requirements may allow traffickers to shield assets.

The drug-related asset seizure and forfeiture laws that exist are enforced by the government. Numerous government entities are responsible for enforcement including state prosecuting attorneys, the BKA, and the customs department. The police have adequate resources to seize assets. The exact value of all assets, seized by all entities in all states, is unknown. German authorities cooperate with US efforts to trace or seize assets and the government makes use of tips from other country enforcement officials regarding the flow of drug-derived assets. National laws do not permit sharing of forfeited assets with other countries.

**Ghana.** (Low) Ghana reportedly experiences some money laundering, believed to be proceeds of sales of cocaine and heroin. Money laundering is a criminal offense, not limited to drug trafficking proceeds. Banks and financial institutions are required to report large currency transactions of customers who come under investigation by law enforcement authorities. Banks are required to maintain records to reconstruct significant transactions to respond quickly to requests from appropriate government authorities in narcotics-related cases, but are not required to report suspicious transactions. Data is reported only upon request by a central authority. Bankers are protected by law if requested to cooperate with law enforcement entities. There are controls on currency amounts brought into and out of the country. Ghana has established systems to identify, trace, freeze, seize or forfeit narcotics-related assets. In October 1994, GOG and its UNDCP sub-regional neighbors put into place a multilateral agreement to harmonize efforts regarding asset tracing and seizure.

**Gibraltar.** (Medium) After months of intense pressure from the UK, Gibraltar passed the Criminal Justice Ordinance which is intended to ensure that its offshore banks conform to the European Union's money laundering directive. Gibraltar disputes Spain's contentions about the volume of money laundering on the Rock, and the head of Gibraltar's Financial Services Commission contends that the new law will have little affect because the banks have always been well supervised and regulated. In mid-December, a money laundering squad was established as the central authority for receiving suspicious transactions information, and is led by a London-based Metropolitan police officer.

**Greece.** (Medium) In August the Greek parliament approved a law supplementing existing legislation which outlawed all forms of money laundering. The law creates various enforcement mechanisms and proof of identity requirements, and permits controlled delivery of narcotics for enforcement purposes. Greece is not currently considered a major financial or money laundering center. However, Greece remains vulnerable to money laundering because purchasers of government debt issues receive tax free income, and, if paid for in cash, are not subject to identity requirements; the sale of Greek treasury obligations now amounts to about usd 22.5 billion annually, or one quarter of Greece's GNP. In addition, seven new casinos (convenient vehicles for money laundering) were licensed in Greece in 1995.

**Guatemala.** (Medium) The potential for money laundering in Guatemala is very high because of the lack of either effective monitoring and control of financial transactions, or of laws specifically designed to combat money laundering. The amount of drug money being laundered through Guatemala is difficult to determine given the lack of controls, however current investigations indicate that money laundering is increasing. Financial institutions in Guatemala are highly vulnerable to the illicit introduction and movement of currency among Guatemala, the United States, and off-shore banks. During the last year, the GOG has made little progress on criminalizing money laundering or investigating financial cases.

**Guyana.** (No Priority) Guyana has no laws governing money laundering nor is there evidence any significant volume of money laundering occurs. The Attorney General has said that a new financial institutions act will include anti-money laundering legislation.

**Haiti.** (Low) Haiti is not considered an important financial center, tax haven or offshore banking center, and the country's weak legal system, poor telecommunications and uncertain political climate are not attractive to money launderers. Still, substantial amounts of US currency enter Haiti, through the banking system and exchange houses, in the form of remittances from Haitian emigrants. This market is informal, largely cash-based and may offer opportunities for money laundering. The foreign ministry has asked relevant ministries to draft legislation on money laundering, drawing on CICAD model legislation, the Chilean law and the declaration and program of action of Ixtapa.

**Honduras.** (Low) The conditions exist for major money laundering activities due to the lack of legal control, but the actual extent of laundering is unknown. It is almost certain that some laundering based on cocaine transit occurs in the non-bank financial system with investments, such as hotels, supermarkets, and real estate used as vehicles for laundering. The recent passage of banking reform legislation strengthened surveillance by banks of potential laundering, and the expected passage of comprehensive money laundering legislation in mid 1996 will significantly aid law enforcement efforts.

Honduras enacted an asset seizure law in 1993 and seized a few trucks in 1994. Additional asset forfeiture legislation is currently pending before congress and is expected to be passed in 1996.

**Hong Kong.** (High) The colony's well-developed and extensive international financial networks--along with proximity to major drug-producing countries in Asia--make it an attractive base for money-laundering activity. Low taxation rates, simple procedures for company registration, and the absence of controls on the amount of money that can enter and leave the territory adds to Hong Kong's attractiveness to money launderers. Hong Kong government authorities recognize that the territory's reputation as a financial center depends, in part, on its willingness to take effective action against money laundering activities, both drug-related and otherwise. Through amendments to existing legislation, detailed elsewhere in this report, Hong Kong authorities have closed off many loopholes previously exploited by traffickers. In addition, broadened bilateral cooperation on money laundering cases is one of the objectives in negotiating a US-Hong Kong Mutual Legal Assistance Agreement. Finally, Hong Kong has implemented most of the 40 recommendations issued by the Financial Action Task Force aimed at improving the local legal and financial framework for combatting money laundering and for improving international counternarcotics cooperation.

Money laundering is a criminal offense under both the Drug Trafficking (recovery of proceeds) Ordinance (DTTOP) and the Organized and Serious Crimes Ordinance (OSCO). Reporting of suspicious financial transactions to the Joint Financial Intelligence Unit (a joint police and customs and excise department unit) is an explicit legal obligation of financial institutions under the ordinances. No mandatory reporting requirements exist for deposits over a specific amount. Rather, guidelines issued by the Hong Kong monetary authority require institutions to observe specific standards and procedures for record-keeping, customer identification, and pay special attention to all complex, unusually large transactions.



Hong Kong police reported in September 1995 that, in the past two years, the number of suspicious transactions had "shot up 15 times." Records must be kept for six years, and those pertaining to ongoing investigations or that have been subject to disclosure are required to be retained until the pertinent case is closed. In an effort to ensure that banking institutions are prudently managed, Hong Kong's banking ordinance requires Hong Kong monetary authority approval for all chief executives (including alternates) and bank directors of institutions incorporated in Hong Kong.

The operations of remittance centers and other non-bank institutions in the territory are of growing concern, both to the USG and Hong Kong authorities. There is no existing legislation to regulate these non-bank entities--primarily money changers/lenders and pawnbrokers--and there is evidence that drug proceeds are increasingly being channeled through these non-regulated avenues. Hong Kong authorities have identified the creation of a regulatory framework for remittance centers as a high priority in 1996.

**Hungary.** (Medium) Hungary is neither a major regional financial center nor a tax haven. Money laundering has been illegal since 1994 and banks are required to report significant cash transactions on a regular basis. In light of poor internal banking controls, some money laundering probably occurs, but narcotics traffickers are not particularly active.

Banks and other financial institutions are required to know, record, and report the identity of individuals and companies conducting large, currency, transactions, and to maintain records on such transactions. Data is reported to the ministry of finance. Hungary cooperates with US law enforcement agencies on the financial aspects of narcotics-related crime. Asset forfeiture laws exist but are not applied in practice. Hungary and the USG signed a mutual legal assistance treaty in 1994.

**Iceland.** (No Priority) Iceland has not ratified the 1988 UN Convention but does have anti-money laundering regulations derived from the European Economic Agreement. Between September and December 1994, a Bahamian-registered company laundered about \$10 million through two Icelandic commercial banks. A woman was arrested in Belgium in connection with this scheme, which was not narcotics-related. Authorities attribute the success of the detection and prosecution of this case to Iceland's regulations on money laundering, the small size of its banking system, the novelty of large capital flows, and the Government's desire to maintain Iceland's good name.

**India.** (Medium-High) Although money laundering is not a criminal offense per se, those suspected of hiding funds can be prosecuted for income tax evasion under the income tax act, with penalties of up to seven years' imprisonment. Under or over-invoicing, two common ways of hiding drug money, are offenses and can be prosecuted under customs law. The NCB has set up a committee to look into drafting specific money-laundering legislation, but to date, no proposals have gone forward. Anyone establishing a bank account must provide a photograph, and transactions over rs 50,000 (usd 1,470) cannot be made in cash. All transactions over rs 100,000 (usd 2,940) must be reported to bank management, which then decides whether to notify the authorities.



The GOI has issued administrative instructions to financial institutions to report suspicious transactions, but they are under no legal obligation to do so. Bankers are protected by law when they cooperate with law enforcement authorities. When requested, India has cooperated with the law enforcement agencies of the USG and other countries. There are controls on the amount of currency which can be brought into or taken out of the country. Foreigners must declare amounts in excess of US\$ 10,000; Indians must declare the rupee equivalent of US\$ 10,000. The government has not adopted due diligence laws making individual bankers responsible if their institutions launder money.

Under the Narcotic Drugs and Psychotropic Substances Act of 1985, amended in 1989, illegally acquired property can be frozen or forfeit. This law applies only to the assets of those persons actually convicted of crimes, however, which enables those who have been arrested to hide their assets before conviction. The GOI hopes to broaden this act to apply to those who have been arrested or against whom a warrant has been issued. While there are no political obstacles to passing a tougher law, the overlapping jurisdiction of several ministries has slowed the process. Under the act, instruments of crimes such as laboratories are immediately forfeit, although the actual farms on which illegal crops are grown are not forfeit. Any asset which is acquired through illegal proceeds can be forfeit. Legitimate businesses which launder money cannot be seized. The national fund for control of drug abuse receives the proceeds from narcotics-related asset seizures and forfeitures. The courts can forfeit assets if they are an instrument of offense. If the assets are acquired from the proceeds of a crime, a competent authority has the power to forfeit them. Competent authorities include officials of the state police, state drug control agencies, Forest Department, Central Customs, Central Excise, the Central Bureau of Investigation, the Narcotics Control Bureau and the Central Bureau of Narcotics. While these authorities have sufficient powers, resources are inadequate and with the exception of the NCB and CBN, they have other mandates to fulfill as well, which may take priority. 52. As of July 1995, USD 1.3 million of assets were frozen and USD 1.6 million of assets were forfeited, which is an increase from the previous year. The GOI is open to efforts by the US and other countries to trace and seize assets, and they make use of tips from other countries. The GOI has bilateral narcotics agreements with ten other countries, but the focus is not on asset seizure.

National laws do not permit the sharing of forfeited assets with other countries. The banking community has been fairly cooperative; bank secrecy laws are not strict in any case.

**Indonesia.** (Low) While Indonesia is not a major producer of narcotics or money laundering center, it is increasingly used as a transit point for Southeast Asian heroin, including transshipment to the US, Australia and Europe. As interdiction efforts increase in other countries, use of Indonesia as a transshipment point is expected to escalate. Indonesia's booming economy has created greater links to international markets, including increased air connections to the US and expansion of international shipping. Indonesia's tourism boom has increased the incidence of narcotics trafficking particularly in Bali. Indonesia's criminal code lists a limited number of illicit narcotics and does not include prohibitions. Indonesia has not passed anti-money laundering laws of any kind. It has signed but not ratified the 1988 UN Convention.

**Ireland.** (Low) Ireland is not a significant financial center, tax haven or offshore banking center and the government is unaware of any systematic money laundering activities. The GOI, as a matter of policy, works to discourage money laundering via significant criminal penalties enacted in the 1994 criminal Justice act. Drug-related money laundering was made a criminal offense under the 1994 Criminal Justice Act which came into effect in May 1995. In the seven months that this legislation has been in effect two cases have been referred for prosecution by the director of public prosecutions. Irish law does not permit sharing of forfeited assets with other governments. The customs service and the national police regularly confiscate conveyances used to transport narcotics, usually cars and trucks. These vehicles are retained by the confiscating agency or used by other government agencies as official vehicles. Ships which have been seized become the property of the Department of Defense and the marine.

**Israel.** (Medium High) The priority for Israel has been raised to Medium-High, reflecting public statements by senior Israeli officials that Israel is emerging as a more significant money laundering center for Russian criminals. Israeli officials have stated that Israeli organized crime has processed drug proceeds through Israeli financial institutions, in Israel and abroad, using US dollars. Money laundering is not yet a prosecutable crime, and benign banking laws, a policy of not taxing foreign accounts, and a lucrative stock exchange continue to make Israel an attractive investment and financial safe haven. There are no accepted figures on the scope of money laundering in Israel, but there have been estimates suggesting that the amount of funds involved may be substantial. The GOI does not as a matter of policy facilitate or engage in money laundering activities.

Israel has not adopted laws or regulations which ensure the availability of adequate records of narcotics investigations to appropriate personnel of USG or other governments, but Israeli law permits cooperation without a formal treaty. Proposed mutual legal assistance legislation that will go before the Knesset in early 1996 will allow for comprehensive reciprocal legal assistance with competent foreign authorities regarding asset forfeiture investigations, the provision of material evidence and witnesses for forfeiture proceedings, the attainment of temporary injunctions or restraining orders vis-a-vis property, and the implementation of forfeiture orders. The 1995 dual taxation treaty between the United States and Israel grants US tax authorities limited access to bank account information. A Mutual Legal Assistance Treaty (MLAT) with the USG is under protracted negotiation, but appears stalled over territorial issues and how to treat criminal tax offenses.

The GOI has signed, but not yet ratified, the 1988 UN Convention. According to the foreign ministry, the political will to ratify the accord is there, but some issues -- including Israel's prohibition on extraditing its citizens -- are not yet resolved.

Israel has acceded to the Council of Europe convention on mutual legal assistance in criminal matters. It has narcotics cooperation agreements with Italy and Turkey that cover law enforcement cooperation, though not specifically with regard to money laundering.

Israel's Ministry of Justice completed drafting money laundering legislation in late 1995, and plans to table it before the Knesset in 1996. Under current laws, money laundering is not an independently prosecutable crime; a specific criminal conviction must be obtained before forfeiture proceedings to seize income, property and other "fruit of trafficking" may be instituted. This legal requirement has limited the success of law enforcement agencies in pursuing money laundering cases. Nonetheless, one of the priority objectives of the Israel National Police is to follow up major trafficking convictions with asset-forfeiture proceedings.

Israeli law enforcement agencies have established an interagency commission to further the practical application of this legislation. However, several laws make prosecuting money laundering cases difficult. Banking secrecy laws permit banks to divulge information only after the proper court order has been obtained. Moreover, there are no currency controls on large transactions by non-Israeli citizens. Foreign residents with local accounts, for example, are not required to file Israeli tax returns.

Anticipating new money laundering laws, the INP plans to establish a small 12-person unit in 1996 to receive compulsory cash reports from banks for transactions over USD 10,000. The unit will also receive and process declarations of cash entering and exiting Israel.

An asset forfeiture law, enacted in 1989, allows for the seizure and forfeiture of all financial assets -- present and past, up to 8 years -- of convicted traffickers and their immediate family. The defendant has the burden of proof to show these assets were legally acquired and not the fruit of trafficking. Legitimate businesses that launder money may be included in forfeiture proceedings only if their owners have been convicted on drug trafficking charges. Under current Israeli law, however, a business proven by its owner to have been established with legitimate money may never be forfeited, even if said owner is convicted of drug trafficking offenses.

All court-forfeited assets are centrally administered by a specific office in the ministry of justice, which may make grants of the seized funds to law enforcement agencies.

The law also permits civil forfeiture of assets which were the result of, or instrumental in, the commission of drug trafficking or production. Civil forfeiture does not require a prior criminal conviction.

The government enforces existing drug-related asset seizure and forfeiture legislation, and asset forfeiture has become increasingly frequent over the past year and a half. The 1989 forfeiture law was enacted primarily because of lobbying from law enforcement agencies.

**Italy.** (High) The financial sector in Italy serves as a significant money laundering center for both narcotics and other illicit funds. The Italian banking and non-banking systems are used by local and South American drug traffickers primarily to launder proceeds from heroin and cocaine drug activities.

The US-Italy Mutual Legal Assistance Treaty provides a mechanism for exchanging evidence in connection with narcotics investigations. Italy and the US are exploring means to implement the now-suspended seizure and forfeiture article of the treaty or to develop alternative mechanisms. Italy has ratified the 1988 UN Convention and is an active participant in the FATF and the EU effort. Italy has numerous bilateral agreements for the exchange of information on money laundering.

Italy's 1994 comprehensive money laundering law is fully consistent with the FATF forty recommendations and the European union money laundering directive. Italy cooperates closely with the US on financial crimes related to narcotics, including in major joint operations such as Green Ice and Universal Gold. In one 1995 case, Italian authorities froze the bank accounts of accused drug trafficker Jose Santacruz-Londono, in connection with a New York trial of his associates.

Italian banks were initially slow to implement all the regulations of the new law but have not publicly fought it. Italian authorities believe implementation of the 1994 law and the success of joint operations with the US (i.e., Dinero, Universal Gold, and Green Ice) have led some drug traffickers to conduct money laundering outside of Italy.

Italy has an established system for identifying, tracing, freezing, seizing and forfeiting narcotics related assets. Italy is committed under the Council of Europe Convention procedures for sharing such assets with other governments. There are no new laws under consideration. Under existing regulations, businesses used for money laundering can be seized and the government has the authority to forfeit such assets. However, criminals have in some cases used family members to shield assets. Proceeds from seizures go to the Italian treasury. The law also allows for civil forfeiture of assets as a precautionary measure separate from a criminal conviction.

In 1995, the GOI seized over \$1.5 billion in assets from organized crime and narcotics figures. The GOI cooperates fully with the US and other countries and exploits tips from other governments regarding the flow of drug derived assets. Italy is engaged with other governments in negotiations to harmonize asset tracing and seizure efforts and has laws permitting the sharing of seized assets with other countries. Banks, while not actively resisting, have provided surprisingly few reports of suspicious activities to the government. While traffickers have not taken any retaliatory actions, fear is often cited as a reason why banks -- especially in the south -- have made so few reports to the government.

**Jamaica.** (Low) Jamaica is not a major money-laundering nation, nor an important Caribbean financial center, although the financial sector has been enjoying impressive local growth. Jamaica has now ratified the 1988 UN Convention but has not yet adopted enabling legislation to criminalize money laundering and impose related controls. A money laundering bill was introduced in Parliament in December.

Jamaica has adopted laws which ensure the availability of adequate records of narcotics investigations to appropriate USG personnel and those of other governments. Banks can be requested to report suspicious transactions, and bankers are protected against liability for evading bank secrecy.

However, banks and other financial institutions are not required to know, record, and report the identity of customers engaging in significant large currency transactions. Nor is there a time limit for retention of records. There are no controls on the amount of currency which can be brought into or out of the country. An assets forfeiture law was passed in August 1994; it requires prior conviction for a drug offense and the assets must be related to the offense.

**Japan.** (Medium High) Money laundering remains a criminal offense only if related to drug trafficking. In other key respects, Japanese law is consistent with the 1988 UN Convention, which it has ratified, and with FATF recommendations. Japan is the only member of the P-8, which created the FATF, that has not criminalized the laundering of proceeds from all serious crimes. At the recent P-8 Conference in Paris, Japan representatives discussed extension of non-narcotic money laundering legislation within 2-3 years. The minister of justice will act as the initiator of the new laws.

Japanese banks and financial institutions are required to report suspicious transactions, and to know, record, and report the identity of customers engaging in significant, large currency transactions, and to maintain for an adequate time records necessary to reconstruct significant transactions through financial institutions in order to be able to respond quickly to information requests from appropriate government foreign as well as domestic authorities in narcotics-related cases. However, Japan has shared such information with other nations only on an informal basis.

Bankers are protected by law with respect to their cooperation with law enforcement entities. Japan has placed controls on the amount of currency which can be brought into or out of the country. It has also extended money laundering controls to non-bank financial institutions.

There were no arrests or prosecutions for money laundering in 1995.

Japan has established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets but does not share seized narcotics assets with other governments. The Japanese seizure statute allows the government to seize only those funds which can be directly linked to a specific drug investigation or violation: illicit proceeds, any property derived from illicit proceeds, any property obtained in reward for conducting an offense, any property ruled fruit of the crime. In the event illicit funds have been commingled with legitimate funds, an amount equivalent to the illicit amount can be seized. Although seizure laws are in place since 1989, only one money seizure has occurred to date.

**Jordan.** (No Priority) Jordanian officials state that money laundering is not now a major problem in Jordan but is a concern. There are no laws for financial institutions to follow, and no programs in place to deal with money laundering. Local authorities know that the transportation and distribution of drugs is largely handled on a cash basis by nomadic Bedouin tribesmen. This situation does not allow for the easy tracking of drug money. Jordan is not viewed as a major financial center for drug traffickers, in the region. Foreign exchange facilities are government-regulated and directly linked to banks.

**Kenya.** (Low) Kenya is East Africa's financial hub, but the country is not a significant money laundering center. ANU officers in Nairobi and the coast suspect, however, that Kenya's casino industry may be an avenue for narcotics-related laundering. In 1995 the ANU did not seize any assets in connection with drug trafficking, except for one car. Under the Narcotic Drugs and Psychotropic Substances Control Act, proceeds from narcotics-related asset seizures go into a rehabilitation fund for drug addicts. Currently Kenya does not have agreements with other countries to share seized assets or information on money laundering. The narcotic drugs law nevertheless allows the Kenyan government to provide such assistance to other countries upon request.

During the year the Central Bank issued and then almost immediately withdrew a circular notice that requested banks to identify the sources of their depositors' funds before accepting their accounts. Later the national assembly adopted an amendment to the Central Bank Act that authorized restrictions on foreign exchange transfers for purposes of meeting treaty obligations. The amendment also required that all payments to, from, or within Kenya be processed through authorized banks. According to the Attorney General, this provision enabled the Central Bank to ensure that international payments were not connected with money laundering.

**Korea.** (Medium) US officials have had difficulty in tracing the movement of funds to specific drug shipments. However, there have been reports of Nigerians and Colombians entering Korea with thousands of US dollars in bulk. Moreover, Korea is known to be a depository for funds generated by the large trade in methamphetamines which reaches from East Asia to Hawaii. During 1995, Korea, was stung by admissions from former President Roh Tae Woo that he had deposited nearly US\$250 million in secret bank accounts outside his country, is taking actions to prevent financial crimes, including money laundering. Asset seizure laws related to drug trafficking were proposed in 1995 which would allow freezing of accounts and prevent traffickers from moving assets out of Korea, while also permitting Korea to honor foreign forfeiture orders. False name bank accounts have been banned, and banks are required to advise the authorities of suspected drug-related deposits. However, foreign banks in Korea are not subject to the same regulations as domestic banks, and citizens can hold unlimited amounts in foreign currency accounts. Korea has a vast underground banking system whose volume is estimated at more than US\$32 billion annually. While the system is not believed to be used extensively by money launderers, it may become more attractive as the banking system is regulated.

**Kuwait.** (Medium) Despite a lack of hard data on money being laundered there, Kuwait remains a Medium priority because of its potential as a money laundering center, given its absence of currency controls and reporting requirements and its loosely regulated network of money exchangers, coupled with the known and assumed flows of money into and out of Kuwait the country.

**Kyrgystan.** (No Priority) The Kyrgyz banking system is undeveloped. It is not easy to electronically transfer funds into and out of the country. It is not an attractive center for money laundering. There have been allegations that drug money has been deposited into local banks for use then in legitimate enterprises. There are no laws which specifically address money

laundering. The GOK is more concerned with the larger problem of money from other forms of illegal activity, such as government corruption. There is no specific Kyrgyz law on asset forfeiture. The legal basis for such action is contained in the corresponding articles of the criminal code of the former USSR. If a person has been found guilty and convicted by the court, the person's property is to be confiscated, with thirty percent of the proceeds going to the law enforcement agencies.

**Laos.** (Low) Laos is not considered a major financial center and its commercial banking system is only in the early stages of development, with the assistance of international financial institution consultants. Nonetheless, the Lao government has expressed interest in development of money laundering legislation. Although the government welcomes foreign banks, only one Thai bank to date has begun operations in Vientiane. The draft legislation package which was prepared by the UNDCP legal expert includes a section on money laundering. In 1995, a Lao banking official attended a money laundering symposium conducted for Asian countries by FATF and hosted by the Japanese government. The Lao Kip is not a free currency. The GOL has very strict laws on its export.

Lao customs legislation, enacted in 1994, specifically authorizes asset seizure in that the law states that the means of conveyance of contraband can be seized along with the contraband. The UNDCP advisor, who departed in mid-1995 after a one year assignment to Vientiane, stated that under current laws and judicial procedure, provisions are adequate to deal with narcotics violations and that the courts can order seizure of assets. He stated, however, that additional legislation would be required should the current authoritarian system of national political administration be modified in the direction of greater individual rights, including the rights of those accused of crimes. The previously referenced draft legislation also included a section on asset forfeiture. Asset seizure does in fact occur in Laos. A boat seized in connection with a 1994 drug case in Bokeo province was turned over to law enforcement agencies by the court following conviction of the traffickers in 1995. In another case, which is still pending, a pickup truck being used to transport drugs was seized and is being held by police until the court rules on the case. Customs officials are of the opinion that the court will forfeit the property to the Lao government since it was being used to smuggle drugs.

**Latvia.** (Low Priority) Latvia has the potential to be a money laundering center because of its lack of effective banking regulation for its sizable banking industry. UNDCP and UNDP have been assisting the Bank of Latvia on draft money laundering legislation. The lack of anti-money laundering legislation, the absence of strict banking accountability and the large number of banks formed under very loose regulations could attract money launderers. A scandal involving the then largest bank in Latvia, Banka Baltija, occurred in Spring 1995, amid public allegations that the bank's owners and top management raided its assets prior to its closure for financial improprieties by the Latvian National Bank. Major international investigations into the affair are ongoing with the FBI and other law enforcement agencies from other countries conducting their own investigations on Banka Baltija's dealings. Despite some efforts at liaison, there continues to be a lack of coordination among the police, border guards and customs officials. Low salaries and lack of proper training and equipment for these civil servants severely hamper efforts to stop illegal trafficking at the borders.



**Lebanon** (Medium) Lebanon's bank secrecy laws, which do not allow for law enforcement discovery, create an opportunity which money launderers are likely to exploit. This year Lebanon ratified the 1988 UN Convention. In its accession, however, the legislature made reservations to the language on bank secrecy laws. Thus, current bank secrecy protections, which do not allow for legitimate law enforcement concerns, foster an environment for both money laundering and corruption.

The GOL has proposed legislation which will criminalize money laundering and reportedly will deal harshly with convicted money launderers. But, for now, Lebanon imposes none of the measures which are deemed essential to combat money laundering or to ensure adequate levels of prudential supervision of banks.

**Lesotho.** (No Priority) Lethoso is not now, and is unlikely to become a significant center of production, trafficking, money laundering or precursor chemical production related to illicit narcotics. Money laundering has not emerged as an issue in Lesotho. Lesotho is an active participant in a new regional initiative to foster counternarcotics cooperation. Lesotho participated in the inaugural meeting of this body in October 1995 and is now considering the "Draft Protocol on Combating Drug Trafficking in Southern African Development Community (SADC)". That protocol like the UN Convention, would require signatories to criminalize drug abuse, narcotrafficking, money laundering and other attendant activities.

**Liberia.** (No Priority)

**Liechtenstein.** (Medium-High) A major offshore banking center, Liechtenstein adopted legislation criminalizing laundering of drug proceeds in 1993 and is now preparing a more comprehensive law which will criminalize money laundering as a stand-alone offense. Pursuant to an MLAT request from the United States, Liechtenstein has blocked a bank account holding US\$8 million in the name of an Ecuadorian endowment fund. The GOL conducted its own investigation of a second account sought by the US and located and froze another US\$9 million.

**Lithuania.** (Low) The regulation of Lithuania's private banking sector is still in its formative stage, hence the country's banks could be vulnerable to money laundering operations. The law on commercial banking and legislation of income and asset declaration for tax purposes that was passed in 1994 helped to strengthen the legal framework for fighting the narcotics problem. There were no reported cases of high-level corruption associated with the drug trade in 1995.

**Luxembourg.** (Medium High) A major world financial center, hosting more than 230 international banks which operate as "universal banks" with an unrestricted range of activities, Luxembourg is a tax haven due to its banking secrecy, absence of exchange controls, lack of withholding tax on interest, and politically stable environment. However, banking secrecy does not apply in criminal cases, including money laundering.



Government officials acknowledge that narcotics money laundering occurs, but they do not consider Luxembourg more of a center for such activity than other places with highly developed banking systems. Virtually all recent money laundering cases involved funds introduced into the world financial system elsewhere (usually from within Europe) which were then transferred to Luxembourg for layering or integration. In all money laundering cases, Luxembourg law holds bankers personally liable if they fail to establish the bona fides of the beneficial owners of funds when they are received. The Monetary Institute has stepped up its efforts to police the banks' anti-money laundering performance.

There have been no indications that the non-banking financial sector has been involved in money laundering. The government continues to closely monitor non-bank institutions, such as building companies, real estate agencies, jewelry stores, art galleries, and antique dealers.

Asset forfeiture remains the focus of bilateral relations with the US on money laundering. The Luxembourg government has been very active in information sharing and joint investigations with the United States and other countries. The Luxembourg authorities have made good use of tips provided by US agencies to seize money and assets belonging to drug traffickers.

Luxembourg plans to ratify the 1990 Strasbourg Convention in 1996. Luxembourg ratified the 1988 UN Convention on March 17, 1992. The legislation ratifying the convention brought Luxembourg's law into conformity with the convention. Luxembourg is also a member of the FATF and has implemented many of its recommendations. Luxembourg is party to both the European Convention on judicial assistance and the BENELUX Convention on extradition and assistance.

Under current Luxembourg legislation, only drug-related money laundering is a criminal offense. The laws will be changed once Luxembourg ratifies the Strasbourg convention to criminalize all money laundering. Under Luxembourg's 1992 law, the punishment for money laundering is a minimum jail term of two years and a minimum fine of 10,000 Luxembourg francs (approximately US\$ 345).

Under Luxembourg's financial sector law of April 10, 1993, bankers and other financial dealers are required to keep documents or information on transactions for at least five years. The 1993 law also requires financial sector professionals to report suspicious transactions to the public prosecutor. exchange dealers, lawyers, notary publics, and bankers who handle securities are under the same obligation. As stated above, the first annual report on banks' performance of the duty to report "suspicious transactions" was published in March 1995.

Bankers are criminally responsible if their institution knowingly launders drug money. Client identity must be verified for transactions exceeding 500,000 Luxembourg francs (approximately usdols 16,000 at the current rate of exchange). The 1993 law protects from criminal or civil prosecution under Luxembourg's bank secrecy law those financial professionals who in good faith provide information on clients to the Authorities. There are no controls on money brought into or taken out of the country.

Luxembourg law provides for asset forfeiture in criminal cases, and the first funds to be forfeited occurred in 1994. Forfeiture can follow a finding that the assets to be forfeited were involved in narcotics-related money laundering or following criminal conviction. It remains unclear whether Luxembourg courts will enforce civil forfeiture orders from elsewhere, because the concept of civil forfeiture does not exist in Luxembourg law. In criminal matters, seized funds cannot be forfeited directly under pre-1992 Luxembourg law, which requires a criminal conviction in order for the money to be forfeited. There were no major seizures in 1995.

**Macau.** (Medium) A special territory of Portugal, Macau is a renowned gambling center and reputed safe haven for Hong Kong criminals. Asian organized crime and drug trafficking groups have long been suspected of using Macau's unregulated casinos to launder money, and the banking system is considered conducive to money laundering because of strict bank secrecy laws. Any financial institution which accepts a deposit of more than US\$ 12,500 commits a crime under a 1993 law, but that law does not apply to casinos.

**Macedonia.** (No Priority) Although drugs are trafficked through Macedonia, the economy still operates on largely a cash basis and the banks have only begun to restructure, four years after independence from Yugoslavia. There is no indication of significant money laundering.

**Madeira and the Azores.** (Medium) The analysis of these two regions is separated from the mother state, Portugal, because they are autonomous and are not subject to all Portuguese laws. While Portugal is not considered a major financial center and is ranked a Low-Medium priority, Madeira and the Azores are ranked higher because of concern about offshore banking activity in both regions. Neither region imposes banking reporting requirements on its offshore banking sector.

**Malaysia.** (Medium) The only legislative protection against money laundering is an asset seizure law which makes drug-related money laundering a criminal offense. The asset seizure law is narrow in scope and has had only limited success in confiscating drug money. Senior government officers recognize the need for a stronger and broader anti-money laundering regime and have publicly called for implementation of measures to combat money laundering. Following the commonwealth heads of government meeting in Auckland this year, the deputy finance minister promised that Malaysia will make money laundering a serious crime and take action within the framework of its laws to combat the illegal activity. In this regard, the GOM is currently studying the draft model law for the prohibition of money laundering prepared by the commonwealth secretariat.

The GOM continues to be concerned about offshore banking center Labuan becoming a money laundering conduit. Although Malaysian laws provides the police full access to bank records, experts believe that a comprehensive anti-money laundering enforcement is necessary to prevent money laundering activities in Labuan.

**Malta.** (Low) While not currently significant as a money laundering sector, Malta could increase in importance as other governments in Europe and around the Mediterranean tighten their banking controls and enforce money laundering countermeasures.

**Mauritius.** (No Priority) A money laundering bill was introduced in July to Parliament but not acted upon. There is no legislation against money laundering in Mauritius, although as noted a bill to criminalize it was tabled but not acted upon in 1995. As yet, only seven banks have been approved for offshore banking including Barclays, Bank of Baroda, Hong Kong Shanghai, and Rothschilds. According to Mauritian authorities, these banks were selected because of their reputations and the internal controls they have against money laundering. The money laundering bill was designed to comply with model legislation drafted by the Financial Action Task Force. Until the bill passes, however, money laundering, except as it related to other offenses, is not a crime in Mauritius. Accordingly, there have not been arrests or seizures in connection with alleged money laundering. The offshore banking authority reports that it has stringent standards for approving offshore companies but does not have formal information-sharing agreements with authorities elsewhere. The country's role as a center for financial services and its booming tourism industry (and related high-cash turnover restaurants and casinos) make it potentially vulnerable to illicit money laundering activities.

**Mexico.** (High) As the increasingly effective measures taken by the United States to deter narcotraffickers placement of drug cash into our financial system have been felt, Mexico has become the money laundering haven of choice for initial placement of US drug cash into the world's financial system. Once placed into Mexico's financial system, these cash proceeds are being moved in a variety of forms, including wire transfers and drafts drawn on Mexican banks payable through United States correspondent accounts. By their own statements, Mexican officials have estimated that the amount of drug cash being repatriated to Mexican drug cartels in 1994 was some \$30 billion, and the total amount moved into Mexico for eventual repatriation to Colombia is much higher.

Proximity to the United States, endemic corruption, and little or no regulation or enforcement of regulations pertaining to the deposit of US drug dollars into the Mexican financial infrastructure, coupled with the purging of the US financial system of the initial placement of drug cash, have combined to make Mexico the number one country of choice for the movement of drug cash generated by Western Hemisphere drug cartels. A comprehensive system of legal, financial and regulatory reforms must be passed and implemented or the situation will only grow worse, to the economic and political detriment of both countries.

Mexico's financial institutions are being used for large US dollar cash transactions which are derived from narcotics and non-narcotics proceeds. Ill-gotten money is laundered in both the banking and non-banking financial systems. A number of investment firms and legitimate businesses have also been implicated in money laundering schemes. Mexican and international narcotrafficking organizations launder proceeds in Mexico from cocaine, opiate, and cannabis trafficking.

Mexico has done little to curb these practices which are enormously profitable for Mexico's banking community and the brokers and criminals who exploit that system.

Mexican officials have stated that an important factor in their inability to curb money laundering is that Mexico's supervision and enforcement systems are permeated by suborned officials. Their goal now is to broaden and define legal sanctions against money laundering. A few former senior Mexican government (GOM) officials are suspected of and being investigated for money laundering, including Mario Ruiz Massieu (US\$ 20 million) and Raul Salinas Gotari (US\$ 90 million). Raul Salinas Gotari, brother of ex-President Carlos Salinas, transferred some USD 80-90 million from a branch of Citibank in Mexico City through its headquarters in New York City to a Swiss bank account. Salinas has been indicted for conspiracy to murder. Investigations into possible money laundering by him continue.

Former Deputy Attorney General Mario Ruiz Massieu, currently under arrest in the United States is also under investigation in Mexico for money laundering. He has been found to have bank accounts in the United States totaling US\$ 24 million, including \$9 million in Texas, funds which are believed to be proceeds from money laundering and payoffs for protecting narcotraffickers. He has been indicted in Mexico for embezzlement, money laundering and unjust enrichment. Investigations into possible money laundering continue.

Mexico signed a Mutual Legal Assistance Treaty (MLAT) with the United States in 1987. Mexico also signed a financial information exchange treaty with the US Department of the Treasury in October 1994. The country has not yet adopted laws or regulations, however, to ensure the availability of adequate records of narcotics investigations to appropriate USG and narcotics investigations to appropriate USG and third nation personnel. Mexico is a signatory to the 1988 UN Convention, as well as the Summit of the Americas money laundering agreement. Mexico has shown interest in joining the Financial Action Task Force and has agreed at the December 1995 Summit of the Americas Money Laundering Ministerial in Argentina to participate in a money laundering task force. Mexico has also entered into other bilateral agreements to exchange money laundering information and share fiscal data such as tax records with Canada, France, Germany, Ecuador, Switzerland, Spain and Italy.

US and Mexican law enforcement agencies work closely together in the field of money laundering. During 1995, the GOM Secretariat of Treasury (Hacienda) assisted the USCS Office of Investigations in providing referral information on seven significant money laundering cases in Mexico. In addition, Hacienda provided USCS with information resulting in the initiation of five significant money laundering cases in the United States. During 1995, Hacienda's money laundering section completed eleven money laundering investigations in Mexico and referred them to the Attorney General (PGR) for prosecution. PGR also cooperated with DEA in several significant financial investigations during 1995. In 1995, IRS conducted 19 joint investigations with Hacienda which resulted in two major convictions in the US and the seizure of nearly USD one million from the Arrellano-Felix Organization. Fiscal regulations require banks and other financial institutions to know, record, and report the identity of customers engaging in suspicious currency transactions.

The same regulations require banks and financial institutions to maintain adequate time records necessary to reconstruct significant transactions through financial institutions. Fiscal regulations for non-financial firms are loose, however, and are only applied should the company be audited. Financial institutions dealing in international currency transactions, on the otherhand, are required to complete and maintain records for all such transactions.

Although Mexico requires financial institutions to report suspicious transactions, there are currently no penalties for failure to report. However, new mandatory penalties are written into the proposed legislation, which will also provide legal protection to financial officers who cooperate with law enforcement personnel. The transportation across Mexican borders of currency in amounts greater than USD 10,000 must be reported to GOM authorities.

The Ministry of Treasury's Money Laundering Directorate has cooperated with USCS and IRS in the investigation of financial crimes related to narcotics. Major investigations conducted during 1995 include the following:

The Government of Mexico provided critical information and assistance to USCS during Operation Choza Rica. The long term investigation culminated in the seizure of a US\$ 30 million investment portfolio managed by American Express Bank international. As a result of its participation in the investigation, the USG presented the GOM with a check of more than US\$ 6 million from the seized assets.

In the Mario Ruiz Massieu investigation, the USG was able with some GOM assistance to freeze and potentially forfeit US\$ 9 million in Houston.

The GOM Secretariat of Treasury provided documentary evidence and testimony in US Federal Court which resulted in the conviction of the defendants and forfeiture of more than US\$ 4.5 million in drug proceeds.

Humberto Garcia Abrego, brother of recently expelled Gulf Cartel head Juan Garcia Abrego, is currently serving a five year sentence in a Mexican federal prison after being charged with laundering drug proceeds. Numerous properties and businesses purchased by Humberto on behalf of the Gulf Cartel have been identified, and are in the process of being seized by the GOM. Juan Garcia Abrego was arrested and expelled from Mexico on January 15, 1996 and extradited to the US. He is currently being held without bond awaiting trial in Houston, Texas. Abrego, the first foreign narcotics trafficker to placed on the FBI's Most Wanted List, is being held in the Harris County Jail on a 1993 indictment on charges of cocaine trafficking, money laundering and racketeering. The Abrego organization is responsible for the trafficking of marijuana and cocaine loads worth millions of dollars into the US.

In addition to these cases, the GOM has seized large bulk shipments of cash dollars, indicating a new alternative to more traditional methods of moving funds during the laundering process, such as wire transfers.

In April 1995, USD 6 million in cash were discovered hidden inside a shipment of air conditioners.

On October 9, 1995 troops of the 13th military zone command seized a Cessna 210 aircraft near Tepic, Nayari. Inside, they found six suitcases containing US\$ 12 million presumably the proceeds from drug sales of the Amado Carrillo Fuentes trafficking organization. The pilots were detained and turned over to PGR's federal judicial police in Tepic. The cash was turned in to the secretariat of national defense for eventual transfer to a general counternarcotics fund, in accordance with Mexican law.

**Moldova.** (No Priority) As a signatory to the 1988 UN Convention, Moldova remains committed to conducting significant counter narcotics efforts. Though not a major producer or active in money laundering operations, Moldova's status as a transshipment country grew over the last year.

**Monaco.** (Low) While not considered a major financial center, the Principality may be vulnerable to money laundering. Casinos, which worldwide have proven to be used in money laundering schemes, are a primary industry in Monaco, where money laundering is a crime and suspicious transactions must be reported. In June 1995, several high-level casino employees were arrested on corruption charges, as a result of an investigation ordered by Prince Ramen into money laundering charges. In July, an Israeli citizen was arrested when he attempted to deposit more than US\$5 million in a Monegasque bank. The money was seized and DEA is working with Monaco police to establish a drug nexus.

**Morocco.** (Medium) The proceeds from narcotics exports from Morocco are easily repatriated. The government of Morocco makes no serious effort to trace drug or contraband money. There are in fact no laws against money laundering that would allow them to prosecute offenders effectively. Much of the revenue is invested in real estate, especially in Northern Morocco, where drug money is an important source of income and has supported a construction boom. However, as increasing numbers of office and apartment buildings sit unoccupied, drug traffickers are reportedly casting about for new investment opportunities.

**Namibia.** (No Priority) Namibia is not a money laundering center.

**Nepal.** (Low) Nepal is not a money laundering center.

**Netherlands.** (High) The Netherlands is a major international financial center and, as such, offers opportunities for laundering funds generated from a variety of illicit or fraudulent activities, including narcotics trafficking. Money laundering is done through the banking system, money exchange houses, casinos, credit card companies, and insurance and securities firms.

Money laundered in the Netherlands is typically owned by major drug cartels and organized crime, often related to the sale of heroin, cocaine or cannabis. The production and sale of cannabis products or designer drugs like MDMA (XTC or "ecstasy") is also giving rise to some money laundering. Some illicit currency transactions may well involve profits in dollars from illegal drug sales in Europe or elsewhere. There is no evidence yet of any US-earned drug proceeds being laundered in the Netherlands, but it cannot be ruled out that the Dutch financial system could be used for this purpose.

Proceeds from non-drug crimes are also allegedly laundered in Amsterdam and other Dutch financial centers. A considerable portion of the illicit money laundered in the Netherlands is believed to have been generated through activities involving fraud.

The Dutch government has taken steps inspired by FATF initiatives, including financial transaction reporting requirements, against money laundering through the banking system, money changing operations, casinos and other operations involving large amounts of money. The laws apply to all criminal activity, not just to drug-related money laundering. Financial exchange houses came under regulation in January 1995. Dutch financial institutions normally deal with very significant amounts of US currency deriving from legitimate business operations.

The United States enjoys close cooperation with the Netherlands in fighting international crime, including money laundering. The Dutch disclosure office (MOY) has close links with the FinCEN, and has submitted a draft cooperation agreement to FinCEN which is intended to increase that cooperation. The Dutch MOT is also involved in efforts to expand cooperation between disclosure offices, particularly in the EU. In 1995, the MOT took part in the Brussels and Paris meetings of the Egmont group, which seeks to intensify cooperation between money laundering disclosure offices in the EU and also worldwide. The Dutch have entered into bilateral agreements with all EU governments for the exchange of information on money laundering.

Adequate records can be made available officially to appropriate USG personnel through the mutual legal assistance treaty (MLAT) with the Netherlands and the rogatory commission. U.S. authorities cooperate closely with the Dutch CRI (Dutch criminal intelligence service) and FIOD (internal revenue service investigation office).

The Netherlands has ratified the 1988 UN convention and the 1990 Council of Europe Convention on Asset Forfeiture and Confiscation, and is in compliance with FATF recommendations as well as EU policy directives on money laundering. The Netherlands is active in FATF which it chaired in 1994/95; the Caribbean FATF, where it is a major donor, and the UN Commission on Narcotic Drugs which it chaired in 1991. The Netherlands is a member of the major donors group of the UNDCP and an important contributor to EU counter-narcotics efforts.

Dutch authorities cooperate closely with US agencies on major money laundering cases, which has resulted in significant seizures of assets in both countries.

In 1995, in connection with its FATF-inspired anti-money laundering activities, the Dutch government put cambios (bureaux de change/money exchange offices) under the jurisdiction of Dutch banking legislation. Cambios can now only operate with a license from the Netherlands central bank. As a result, the number of cambios (which was considered too high for legitimate needs) has now decreased dramatically.

Dutch money laundering legislation targets transactions over 25,000 Dutch guilders or the foreign equivalent (\$1 equals about 1.60 guilders). Since February 1, 1994, all financial institutions, including money exchanges, credit card companies, insurance and securities institutions and casinos, must report transactions over 25,000 guilders or any transactions under that amount which appear suspicious.



Separate legislation, also in effect in 1994, mandates the checking of customer identity documents more frequently and for more types of transactions. Financial services can be provided only if the client's identity is established at the time or identity has been established previously. Identification is compulsory, when a single transaction or a series of transactions exceed 25,000 guilders. Identification may be also demanded if the transaction is considered unusual for some reason. A refusal to show identification or identification which makes the transaction appear unusual or suspicious is reported to the unusual transactions disclosure office.

Information about unusual transactions must be reported to the "unusual transactions disclosure office," the MOT, which is a special office operating independently from law enforcement and judicial authorities but under the jurisdiction of the ministry of justice. Information is passed on for further action to the CRI (Centrale Recherche Informatiedienst, the Dutch national criminal intelligence service) only if the disclosure office believes that its own investigation has revealed a case of money laundering or another indictable offense.

Information provided by a financial institution cannot be used against it, and there are protections for the financial institution against civil lawsuits as a result of the disclosure.

The Justice Ministry recently reported on the activities of the money laundering disclosure office (MOT) from its inception in February 1994 to January 1995. During this period, the MOT received 22,961 reports of "unusual financial transactions," mostly from commercial banks. Of this total, about 11.5 percent (2,638 transactions involving almost three billion guilders) were considered "financially suspect" and were investigated by the financial police (1 dollar equaled about 1.57 guilders when the report was made).

Twenty-nine cases yielded enough information to institute legal proceedings, but 900 of the "unusual" transaction reports were used in ongoing investigations. Most of the "unusual financial transactions" were made by Dutch, Belgian and German citizens, although there has also been an increase in such transactions by individuals from the former Soviet Union. In 1994, the Amsterdam police operation "Golden Calf" resulted in the closure of a money exchange house operated by Israeli citizens, the arrest of 25 people, and the seizure of 8 million guilders. Six people were eventually prosecuted and convicted.

The Dutch government does not have limitations on the amount of money which can be brought into or leave the country in bulk.

The changes in Dutch policies and laws related to money laundering have generally been accepted by legitimate financial institutions and businesses, which were initially opposed to them.

The GON enforces the drug-related asset seizure and forfeiture laws which came into effect in 1994. Preliminary 1994 figures show over 800 asset seizure cases were in various stages of investigation and prosecution. Dutch prosecutors estimate handling over 3000 cases a year for the next several years. Provisional 1994 figures show assets seized amounted to over 25 million guilders (\$1 equals about 1.60 guilders).



**New Zealand.** (Low Priority) New Zealand is not an important international banking center nor is it considered to be a significant money laundering center. There is no information that New Zealand or any senior GNZ official, as a matter of government policy, encourages, facilitates or engages in money laundering activities.

**Nicaragua.** (No Priority) Nicaragua is not an important regional financial center, nor is it considered a significant money tax haven. What money is laundered appears to be narcotics related and could take place both in the banking and non-banking financial system. The government does not, as a matter of policy, engage in money laundering activities.

The government was an active participant in the Summit of the Americas Money Laundering Ministerial held in Argentina in December and signed the comprehensive ministerial communique that outlined a hemispheric action plan for combating money laundering.

New legislation, expected in mid-1996 will for the first time recognize money laundering (narcotics related or not) as a crime. The legislation would require banks and other financial institutions to report significant currency transactions. The government has yet to formally convene the banking commission established by the 1994 narcotics legislation which was to handle such matters. Asset forfeiture and seizure legislation: The 1994 legislation permits the seizure of any assets used in the commission of a narcotics related crime and establishes how the money from the sale of such assets shall be divided among the involved government ministries. To date, no goods have been seized under the new law.

**Nigeria.** (High) Nigeria is not an important international financial center, but occupies the most important niche in the West African money laundering situation, consistent with its high status as a drug transit country. Nigerians are becoming more prominent as money launderers in the United States. Heroin proceeds are often used to purchase luxury automobiles and other commodities in the United States, Europe and the Far East, which are then shipped to Nigeria and resold there or in neighboring countries. Proceeds from these sales are then deposited into banks in Nigeria or into accounts Nigerian traffickers hold abroad.

Nigeria announced a comprehensive national drug control strategy and passed a comprehensive money laundering decree providing for the seizure and forfeiture of drug-related assets such as the sixteen Lagos car dealerships seized by the National Drug Law Enforcement Authority (NDLEA). The first prosecution under the decree is being prepared, and NDLEA expects a conviction.

The Money Laundering Decree requires reporting of significant transactions to the Central Bank; regulates currency exchanges and gambling transactions; requires that records of significant or unusual transactions be shared with NDLEA, judicial and customs officials, and provides for forfeiture of assets by individual and corporate violators.

An Advanced Fee Fraud and Fraud Offenses decree was also promulgated -- a critical step given the involvement of Nigerians around the world in advanced fee fraud schemes. The decree not only outlaws such schemes, and establishes penalties, but also criminalizes the laundering of funds obtained through such schemes.

This latter decree also contains a prohibition on transporting illicit funds, including electronic transfers of such proceeds. However, there are no laws governing the movement of hard currency into or out of Nigeria.

The operative question is whether Nigeria will fully implement and enforce these new decrees.

**Norway.** (Low) is not a major world financial hub, tax haven, or offshore banking center. Money laundering is a criminal offense in Norway and is adequately investigated by a special police unit on economic crime (ECOKRIM). A draft law requiring that large money transactions be reported to ECOKRIM has recently been introduced and is expected to be passed by Parliament December 1997. Laws on asset forfeiture and seizure are adequate and aggressively enforced, and drug-related money laundering is unusual.

**Pakistan.** (Medium-High) Pakistan continues to be a significant producer of opium and refiner of heroin, and also a transit route for Afghan opium, heroin and cannabis. Pakistan therefore continues to be a generator of illicit funds, which are laundered through the banking and non-bank financial systems. Gold smuggling is also pervasive, as are invoicing schemes and other financial crimes. Illicit funds are also derived from contraband smuggling, but the ordinance which criminalized money laundering focuses exclusively on the proceeds of drug trafficking.

There have been improvements in the financial sector. Banks are now required to report suspicious transactions on request and to retain records over time. However, banks are not required to record significant cash transactions nor is there provision for sharing of banking data with third parties. There are no controls on the amount of money which can be brought into or taken out of Pakistan. Reports indicate that large sums of money from uncertain sources poured into the country after the elimination of foreign exchange controls. There were no arrests or prosecutions for money laundering in 1995.

Even the minimal reporting requirements are not imposed on non-bank institutions -- an important omission given the purported vastness of the underground banking system (Hundi) and the increasing importance of exchange houses.

Throughout this decade, Pakistani governments have been implementing policies designed to attract money from the black market into the legitimate economy. These measures have included liberalizing foreign currency and gold import restrictions, as well as issuing bearer bond schemes which have been literally advertised as an effective means to launder or conceal illegal proceeds. No identification is required to open a foreign currency account, although it is required to open a rupee account. Pakistanis can freely receive or transfer foreign currency, often at a price above the official rate. To facilitate this movement into banking mainstreams, banks have not been required since 1991 to report or maintain records on large currency transactions. Banks are also being privatized.

Economic reformers in Pakistan contend that this liberalization has been a positive step in strengthening Pakistan's legal economy. For example, the level of foreign exchange reserves has risen, including millions of dollars in US currency, since removal of foreign exchange controls. US officials believe much of this money has been generated by illicit activities such as drug trafficking and tax evasion. There is less need for money launderers to use the hundi system if they have open access to the banking system.

The implementation of economic reform measures has boosted the involvement of currency exchange houses in money laundering schemes, providing services which formerly were reserved for financial institutions, particularly in rural commercial centers. In one such location known to be used by drug traffickers, some money exchange houses have refused to handle transactions involving less than US\$ 1,000.

**Panama.** (High) A Presidential decree in March 1995 established a permanent Presidential money laundering commission to oversee GOP money laundering control efforts and formalized the national "drug czar" position. This commission is to ensure that all government agencies work cooperatively on money laundering control and that key private sector groups do their part. Anti-money laundering amendments, modifying Decree Law 41 of 1990, Panama's criminal statute against money-laundering, was passed in November. It contains significant improvements to strengthen anti-money-laundering efforts, including "know your client" provisions, protection for bank officials who provide information on suspicious transacting and accounts, and prescribed punishment for violations of the code.

Under the law, suspicious transactions are reported to the banking commission and, in turn, to the financial analysis unit (FAU) which has been established in the Office of the Presidency. If the FAU concludes that money laundering statutes have been violated, then the case is turned over to the Technical Judicial Police (PTJ) for criminal investigation and prosecution. The FAU will collect and analyze data on financial transactions in Panama in order to identify criminal activities. The FAU began start-up operations (setting up office, training, writing procedures, etc.) on July 3, 1995, but is not expected to become fully functional until the second quarter of 1996. The USG is supporting GOP efforts to form the FAU under the presidency and the PTJ's Financial Investigative Unit.

The new law is clearly a progressive step, but there are still concerns about other areas of vulnerability. For example, Panama continues to allow bearer-share corporations, and the rules regarding records of beneficial ownership of corporations.

Money laundering in Panama is quite diversified. In addition to cash transactions through banks and contraband smuggling, money launderers are investing drug and other dollars in legitimate businesses, particularly construction. The Colon Free Zone (CFZ) is a money laundering center in its own right. Pre-signed and pre-stamped blank invoices made out to fictitious companies are common, as are fraudulent invoices over/under representing goods shipped. Both methods are designed to cover money transfers.

In addition to cash deposits being placed into CFZ businesses, traffickers and smugglers are making large deposits of third-party checks drawn on US banks, where cash deposits have accumulated through the use of various structuring techniques. Many of these checks have been transported from Colombia to Panama, and are intended to give a legitimate "cover" to transactions. Also becoming quite popular are Mexican bank drafts, issued by banks in Mexico against their own dollar accounts in US banks, a reflection in part of the substantial movement of drug cash in bulk in Mexico.

In May 1995, Panama undertook its first major money laundering investigation in cooperation with the Canadian government. This money laundering investigation resulted in the arrests of four significant money launders and the closure of five businesses in the Colon Free Zone. In October 1995, the Swiss police visited Panama to coordinate with the drug prosecutor's office regarding two major money laundering investigations. The results are the sharing of documentation regarding major financial institutions that will assist both governments in prosecuting these money laundering cases.

Based on federal warrants issued in the United States, the PTJ detained two of Panama's principal money launderers, Israel Mordok, an Israeli citizen, and Alberto Laila, a naturalized Panamanian. Mordok was expelled to the United States in October by GOP immigration officials, where he plead guilty on money laundering charges. Due to his status as a Panamanian citizen, Laila was not expelled to the United States. Laila was arrested in the Colon Free Zone in October and initially held pending an extradition request, but was then released on US\$500,000 bond on December 28. Based on additional information from the United States, Laila was re-arrested on February 16, 1996 on 11 counts of narcotics related money laundering, and will be prosecuted in a Panamanian court.

Progress on the Laila case is seen as a barometer of the effectiveness of the GOP in prosecuting Panamanian money launderers. Panamanian law provides for seizure of narcotics-generated proceeds, but forfeiture of assets rarely happens. United States customs shared with the GOP approximately \$40,000 in forfeited assets.

**Paraguay.** (Medium High) The high volume of foreign exchange transactions reported by the Central Bank in 1994 (US\$ 66 billion), coupled with the large number of banks, a lack of regulation, a marked increase in cash businesses, and an absence of anti-money laundering laws raise serious questions about Paraguay's involvement in money laundering. There is no hard data on how much money is laundered in Paraguay or how much of the total is comprised of proceeds from capital flight, or contraband and narcotics smuggling. What is known is that Paraguay has an economy rated at US\$8 billion, with less than US\$ 1 billion in exports, but, in 1994, returned more than US\$ 4 billion in excess currency to the US, over 95 percent of that amount in US \$100 bills, substantially larger returns than the combined return of Brazil and Argentina's much larger economies. The informal opinion is that most money laundering is linked to the re-export sector (estimated variously at US\$ 4-14 billion largely in contraband), followed by capital flight from Argentina and Brazil, with narcotics-related funds coming last.

Paraguay is considered an important tax haven, as there is no personal income tax and offshore banking center. Money laundering is not illegal, and occurs in both the banking and non-bank financial systems. There is no hard information on who controls money laundering proceeds. While senior officials in the government condemn narcotics trafficking and laundering of drug proceeds, some officials are believed to encourage, facilitate and engage in money laundering activities based on re-export and capital flight proceeds. Notwithstanding the condemnation, the GOP has not taken effective steps to criminalize this activity or to identify drug-related proceeds.

In 1994 Paraguay shipped US\$ 4.2 billion in excess US currency to the United States, and the central bank recorded in excess of US\$ 35 billion in US currency exchanges. It is unclear, however, whether these transactions derived from illegal drug sales in the United States or their overall impact on the United States.

In 1994 Paraguay ratified a financial information exchange agreement with the United States. It has not adopted laws or regulations that ensure the availability of adequate records of narcotics investigations to appropriate USG personnel and those of other governments. Two draft bills currently under consideration by Congress address this shortfall. The USG has yet to ask Paraguay for cooperation on an important case, nor has Paraguay refused to cooperate with foreign governments on a narcotics case.

In 1995 the Central Bank issued regulations requiring banks and financial institutions to record transactions over US\$ 10,000. These records are required to be kept for a period of five years. Paraguay permits, but does not require, financial institutions to report suspicious transactions. Bankers and others are not fully protected by law with respect to their cooperation with law enforcement entities. The USG has yet to request cooperation from the cop on financial crimes investigations under the financial information exchange agreement.

Paraguay has not addressed the problem of international transportation of illegal-source currency and monetary instruments. There are no controls on the amount of currency which can be brought into or out of the country.

Law 1340 of 1988 provides a basic system for forfeiting narcotics-related assets, but Paraguay has not enacted laws for sharing seized narcotics assets with other governments. Changes in current law are being contemplated to criminalize money laundering and update the existing national anti-drug statute. However, in their current forms, neither bill would provide for sharing seized assets. The chief obstacles to passage of such laws are an absence of GOP political will, opposition from powerful economic interests, and congressional inefficiencies. Under current law 1340, instruments of crime and intangible property derived from narcotrafficking, such as bank accounts, can be seized. Since money laundering is not a crime, legitimate businesses that launder drug money or other criminal proceeds are not subject to criminal sanctions. Also, it is an unresolved question whether a juridical person, such as a company, can be subject to criminal sanctions under Paraguayan jurisprudence. Since money laundering is not a crime, traffickers have not had an incentive to explore or test legal loopholes to help shield assets. Seized assets may only be forfeited once a suspect has been convicted. The law only provides for criminal forfeiture.

There has been no noticeable response to the GOP's modest efforts to seize or forfeit assets. There have been no GOP enforcement efforts to trace funds and seize bank accounts. Consequently there has been no banking community cooperation in such efforts. As a matter of policy, the banking community has sought to preserve bank secrecy. There have been no money laundering investigations or GOP cooperation with the USG on such investigations.

**Peru.** (Medium) is not a major global or regional financial center, tax haven or offshore banking center. It is not considered a significant money laundering center by US authorities or by foreign government officials. Money laundering related to narcotics proceeds occurs both in the banking system and the non-bank financial system of exchange dealers. Drug-related money laundering has hitherto largely represented funds repatriated by Peruvian cocaine trafficking organizations for cocaine raw material purchasing, other expenses of trafficking activities, including corruption, and personal consumption by traffickers. These funds included significant amounts of United States currency, usually derived from illegal cocaine sales in the United States by Colombian trafficking organizations, which then used that currency to purchase cocaine base from Peruvian trafficking organization suppliers. As Peru's economy continues to benefit from the most ambitious and successful stabilization program in the hemisphere, emerging market opportunities and investor confidence have encouraged increasing inflows of foreign capital. By no means do all such flows represent drug-related money laundering, investment of drug profits is becoming a more considerable factor than has previously been the case in Peru. As a matter of government policy, neither the government of Peru nor any senior official thereof encourages, facilitates or engages in money laundering activities.

Peru became party to the Vienna Convention in 1992. It is not a member of the Financial Action Task Force. Other than the provisions of the convention pertinent to mutual legal assistance, and international instruments dealing with such customary practices as letters rogatory, Peru has no formal agreement with the United States on a general mechanism for exchanging records in connection with narcotics investigations and proceedings, and the United States has not requested negotiations with Peru on such an agreement. In 1992, Peru and the United States concluded an agreement for exchange of information on cash transactions ("Kerry Amendment"). The Superintendency of Banking and Insurance has published regulations to implement this agreement; the US has made no formal requests for information thereunder, and it is not known how well those regulations are implemented in practice. National police authorities responsible for narcotics investigation maintain good liaison relationships for informal exchange of information with DEA on narcotics investigations, including money laundering cases. Peru has a formal agreement with the United Kingdom for mutual assistance in narcotics enforcement, including asset sharing, and has provided information under that agreement. It has general agreements for counternarcotics cooperation with other countries, with some of whom it also exchanges drug investigative information. No specific information is available on the extent of such exchanges, nor how many countries may be involved.

Legislation adopted in 1992 made money laundering a criminal offense. Narcotics-related money laundering is an aggravated offense calling for additional penalty. Since conclusion of the Kerry Amendment agreement with the United States, banks and other formal financial institutions have been required under regulations adopted by the superintendency of banking to know and record the identity of customers engaging in significant, large US currency transactions, and to make this information available to the superintendency of banking if required to respond to requests for information from the US under the agreement. Since economic stabilization and restoration of links with the international financial system began in 1990, US currency has entered and departed Peru free of exchange controls, and circulates freely within Peru. Financial institutions are not required to report suspicious transactions as such, and there is no indication that they do so. Peru has no "due diligence" or "banker negligence" laws making individuals responsible if institutions launder money. Peruvian police have cooperated when requested by DEA and by other government law enforcement authorities (UK, Germany, Italy, Spain, Canada are known instances) in investigation of narcotics cases, including financial crimes. Peruvian police capabilities to investigate large-scale, international or sophisticated financial crimes are limited. There were a number of major asset seizures consequential upon arrests of major drug traffickers (see below), but no major successful investigations purely of financial crimes in 1995 in Peru. Some in the Peruvian banking community initially objected to the Kerry Amendment agreement with the US. Such objection has generally disappeared; most of the legitimate financial community, in fora such as USG-sponsored workshops or meetings with legal or enforcement experts on money laundering, now at least verbally endorse the desirability of measures to keep the financial system from becoming involved in laundering criminal drug proceeds.

Under Peruvian criminal law, any property or assets used in the commission of a crime, or derived from the proceeds thereof, are subject to seizure and forfeiture. This applies to physical property, real and personal, and to financial property including bank accounts, but a direct connection must normally be demonstrated between the property or assets in question and the antecedent narcotics or other criminal offense. Except in the instance of a prosecution brought by tax authorities with respect to illicit enrichment by a person trafficking in narcotics, there is no provision for civil forfeiture. Under a separate law, land on which coca is grown that has not been registered for coca cultivation with the peruvian government (as none has been since the 1970's) is subject to seizure and forfeiture. Peru presently has no law for sharing seized narcotics assets with other governments; lack of such a law is one factor that continues to impede Peru's responding to a united states proposal to negotiate an asset sharing agreement made in early 1992. The Ministry of Foreign Affairs indicated that such legislation would be considered by the GOP, but no such legislation is known to have been considered in 1995. there are no significant disincentives to passing such a law; the main obstacle is the relative slowness of the Peruvian legislative system, and the lack of codification of laws relating to narcotics offenses which makes other legislation relating to that subject difficult to frame. Assets seized in connection with narcotics offenses are delivered to the Ministry of the Interior's Office for Drug Control (OFECOD).



That office is responsible for destruction of seized narcotics, custody of other assets pending completion of forfeiture proceedings, and distribution of forfeited assets to Peruvian government agencies for use in counternarcotics activities or other public purposes.

The criminal code, and associated decrees referring to narcotics offenses, has been used as the basis for seizure and forfeiture by the Peruvian government of vehicles, aircraft, buildings and other property, and financial holdings of persons identified as drug traffickers. There is, however, essentially no autonomous Peruvian institutional capability to identify, trace, freeze, seize and forfeit narcotics-related assets; such seizure and forfeiture customarily occurs when assets are encountered in direct connection with commission of a narcotics offense, or seizure arises from investigation or prosecution of an owner for such an offense by authorities in Peru or another country. Arrest of three brothers and numerous associates of the Lopez Paredes trafficking organization in January 1995 was followed by seizure and forfeiture of several ranches, several thousand head of cattle (delivered to an agricultural school), numerous other pieces of real estate, bank accounts and other property. When major trafficker Abelardo Cachique-Rivera was arrested in Colombia and delivered to Peru for prosecution in June, his interrogation disclosed many items of real property, bank accounts and other assets which were then seized. The law permitting seizure of land where unregistered coca cultivation takes place is seldom or never invoked, and would be of little practical effect if it were, since most coca is actually grown by squatters on other owners' property or public lands.

**The Philippines.** (Medium) The Philippines is not an important financial center, tax haven, or offshore banking center. A bill criminalizing money laundering has been introduced in the Philippine Senate. Philippine bank secrecy laws make the amount and source of laundered money almost impossible to estimate.

**Poland.** (Medium) Poland is not an important financial center and money laundering is primarily related to tax evasion and other economic crimes, but the money being laundered in Poland by local criminal organizations may include some proceeds from narcotics-related activities. Money laundering may occur in both the banking system and in exchange houses.

Current bank secrecy laws in Poland are very restrictive, normally allowing law enforcement or financial regulatory agencies access to customer accounts only if a crime has already been established and an indictment rendered. Within this context, the banking community does cooperate with enforcement efforts to trace funds, but interprets the laws strictly. Bank secrecy laws are to be amended to bring them into line with the needs of law enforcement and regulatory authorities in combatting financial crimes; the banking sector is neither opposing nor supporting the drafting of these amendments.

There is no evidence that Polish financial institutions engage in any transactions involving narcotics-derived US currency or otherwise significantly affecting the United States. There is no bilateral money-laundering agreement between Poland and the US, although Polish officials consider the eventual negotiation and signing of such an agreement to be vital.



There are no laws ensuring USG access to narcotics investigations records. However, US and Polish law enforcement agencies cooperate regularly and fully on narcotics investigations, with an open flow of information on the operational level.

Poland ratified the 1988 UN Convention in 1994. Poland is not a member of FATF. However, Poland's association agreement with the European Union requires it to come into compliance with FATF recommendations. Money laundering is a criminal offense under legislation passed in 1994. The law is not limited to drug-related money laundering only. Banks are required to know and record the identity of customers engaging in currency transactions over 20,000 pln (approx US\$ 8,000 equivalent). They are required to report "suspicious" transactions, and are required to maintain these and all financial records for at least five years. Suspicious transactions are reported to the local prosecutor's office. However, discretion lies with the individual bank employee handling a transaction (sometimes simply a window cashier) as to whether the transaction is "suspicious" or not. Bankers are not protected by law with respect to their cooperation with law enforcement authorities. Under Polish banking regulations, individual bankers are "professionally" responsible if their institutions launder money, and subject to civil liability. The banking sector is reluctant to loosen bank secrecy laws. However, regulators believe that most banks recognize that effective money-laundering controls are in their own long-term interest.

Poland does not have specific laws dealing with the international transportation of illegal-source currency and monetary instruments. Such transactions are by nature limited by Polish foreign exchange control laws, which require that all foreign transfers of currency and monetary instruments be documented as to source and destination.

However, Polish authorities admit that such "legal" documentation can be easily arranged for a price regardless of the reality of the transaction. The foreign transfer of Polish currency is prohibited. International transportation of foreign currency obtained from exchange houses is not permitted. However, there are no requirements for the recording of the identity of individuals changing money at exchange houses. Exchange houses are the only legal non-banking financial institutions in Poland.

The PNP conducted 11 investigations in 1995 under the new money-laundering law, which became effective December 31, 1994. Two of these cases have been passed on to prosecutors, together involving the laundering of at least 40 million pln (16 million usd). Eight money-laundering arrests were made, of which six suspects are incarcerated awaiting trial and two are out on bond.

Although it is insufficiently broad, the 1994 money-laundering law provides for the seizure and forfeit of crime-related assets. Seizure of assets in money-laundering cases was not permitted before 1995, and there is no legislation in force which specifically applies to narcotics-related money laundering.

There is no system in place specifically designed to identify, trace, seize, freeze or forfeit assets resulting from criminal activity, drug-related or otherwise. Law enforcement agencies and regulators are limited to existing inadequate financial crime laws in their efforts in this area. Poland has not enacted laws for sharing seized narcotics assets with other governments. Only financial instruments or other assets which can in some way be linked to an actual crime are subject to seizure or forfeiture. If proven to have been used in the commission of a crime, a legitimate business can be seized. If not so proven, the business or other asset may only be seized as settlement against a court-imposed fine. In particular, joint ownership or transfer of ownership to a family member or third party can make the attachment of assets difficult for Polish authorities.

The government does have the authority to forfeit seized assets. Both civil and criminal asset seizure are possible under Polish law, but they are mutually exclusive; once a court decides which of the criminal or civil codes applies to a given case, the other code cannot be invoked.

The Ministry of Justice and others are preparing draft legislation bringing Poland into compliance with the 1990 Strasbourg Convention on money-laundering and asset forfeiture, as specifically required by Poland's association agreement with the European Union.

At present the Polish government has neither adequate police powers nor resources to trace and seize asset effectively. Polish authorities seized 250,000 usd of cash and 10,000 usd worth of property and equipment related to money-laundering in 1995. disposition of these assets is still awaiting a ruling from the courts with jurisdiction in the cases.

**Portugal.** (Low Medium) The Portuguese Financial Unit has several ongoing money laundering investigations. The Portuguese anti-narcotics effort has been assisted by training provided by US agencies during the past year, as well as by strengthened money laundering and financial laws enacted in 1994. The 1908 Extradition Treaty between the US and Portugal is out of date. It does not cover such "modern" offenses as money laundering and financial crimes.

**Romania** (Low) Romania has declared an intent to extend its international cooperation in combating illegal drugs into the money laundering arena and there is some indication that new laws are being prepared regarding drug trafficking, control of narcotics precursors, and money laundering. Many draft laws remain mired in the parliamentary process. Romanian concern about the presence of Russian and Italian mafiosi, Chinese organized crime groups, and South American drug cartels has sparked interest in moving forward on the new laws. The banking system is underdeveloped and is considered unattractive for potential money laundering.

**Russia.** (High) As evidence continues to mount that organized crime groups are controlling large sectors of the economy, US concerns about the inadequate management of Russia's financial system with respect to money laundering and other financial crimes prompts raising the priority for Russia to High, putting Russia among that group of countries where we believe immediate remedial action is necessary.

Criminal and fraudulent activities in the Russian banking sector and the perception of such activities have serious potential implications for the safety and soundness of the banking system and consumer confidence in the commercial banks as an integral institutional component of a market economy. There has been substantial speculation on the control of Russian banks by organized crime, with one source estimating that 25 percent of Moscow's commercial banks are controlled by organized crime. The Russian Mafia allegedly uses bank records to obtain information about companies for extortion purposes. There continue to be reports that money laundering, including of funds derived from illegal narcotics transactions, remains a serious problem in commercial banks in Russia. While most such activity in Russia is thought to involve the laundering of funds from illegal activities not related to narcotics, reports abound of Russian banks laundering narcotics money for organized crime groups located outside of Russia (Cali Cartel, Sicilian Mafia). The Central Bank of Russia, working with the multilateral financial action task force (FATF) is introducing reporting and other requirements to combat illegal laundering of money.

Moscow is considered an important financial center in the former Soviet Union, but is not considered an important tax haven. Money laundering allegedly occurs in banks and exchange houses, insurance companies and real estate firms. The use of false contracts for import and export as a means of hiding revenue offshore has diminished somewhat over the past year with better customs and banking regulations over external trade, and increasing financial stabilization in Russia. In addition, the Central Bank revoked the licenses of 315 badly managed banks, twelve percent of the banking industry, in 1995, and restricted operations for another 423. This compares to the revocation of only 85 licenses in the preceding four years.

**San Marino.** (Low) There have been two events of note in San Marino. A Bank of Italy study discloses that deposits in San Marino, which has a strong tradition of bank secrecy, were three times higher than its GDP and that per capita bank deposits were then times higher than in Italy. However, San Marino, which is subject to Italian banking regulations, announced in November that its officials had signed the Council of Europe convention which commits the government to adopt legislation on money laundering which permits the courts to order disclosure of banking and commercial records, including documents requested by foreign governments for criminal investigation purposes.

**Senegal.** (No Priority) There has been speculation that narcotics money has been invested in some of Senegal's coastal tourist resorts. This speculation has not been corroborated. There have been no other indications that Senegal, which has ratified the 1988 UN convention, is experiencing a money laundering problem.

**Seychelles.** (Low) While there is currently no evidence that substantial money laundering is underway, the Seychelles attracted substantial international attention and criticism by adopting measures which have an inherent potential for attracting illegal proceeds. The Economic Development Act, officially adopted in December 1995, offers large scale investors who invest in Seychelles a no-questions-asked opportunity to deposit proceeds from any source, as well as protection against international requests for extradition and asset seizures.

The language of the Act, ostensibly designed to attract large foreign investments, strongly suggests its intention is to draw in tainted money. Under the Act, the GOS can grant someone investing more than ten million dollars "immunity from prosecution for all criminal proceedings whatsoever." The GOS also has authority to grant "immunity from compulsory acquisition or sequestration of the assets belonging to an investor." The United States and other nations, notably the United Kingdom and France have made known to the GOS our great concern with this legislation. The GOS has also announced plans to set up an offshore banking system, with secret, numbered accounts and a securities (stock market) system. The GOS, maintains it is not seeking to encourage money laundering. However, the Economic Development Act has been condemned by the 26-nation Financial Action Task Force on January 30, 1996, which asked nations to consider unusual transactions involving the Seychelles as potentially suspicious.

**Singapore** (High) Singapore is one of Asia's most important financial centers and one of the world's fastest growing foreign exchange market. US and Singaporean officials disagree on the extent of money laundering through its banking system. Information sharing, which may reveal more of the level at which criminals are operating, will be enhanced by agreement in 1996 on a designation agreement which will enable US authorities to participate in the processes enabled by the GOS anti-money laundering laws.

Until the anti-money laundering law, passed in 1994, allowed the sharing of banking data in accord with bilateral agreements, information sharing in Singapore has been virtually precluded under bank secrecy laws, with only rare exceptions. US officials believe that significant laundering occurs both in the banking system and in the non-bank financial system of exchange houses.

Penalties for money laundering are onerous, including seizure of the account. Narcotics-associated money laundering is a criminal offense, in conformity with the U.N. Convention. Bankers can be held personally liable in money laundering cases. Under the Drug Trafficking (confiscation of benefits) Act of 1992, banks must report suspicious transactions. Banks must positively identify customers engaging in large currency transactions. There are no controls or reporting requirements on amounts of currency that can be brought into or out of Singapore. Banks maintain adequate records to respond quickly to GOS inquiries in narcotics related cases. Although reporting requirements placed on the legitimate banking sector are quite extensive, it is not yet clear how effectively the new legislation will restrict money laundering activities in the less regulated system of exchange houses.

Singapore has internal procedure for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets. The USG worked closely with GOS counterparts in identifying several major accounts which the GOS froze in August, 1994. Conveyances, bank accounts, and businesses can be seized under the law, and the proceeds go the government. The USG knows of no loopholes to shield assets, although the law does protect the assets of innocent third parties. Singapore's CNB is responsible for tracing and seizing assets, with the assistance of the Commercial Affairs Division of the Ministry of Finance. Limited information sharing in money laundering cases is available under the 1992 legislation;

however, enabling legislation requires that the GOS conclude an MOU or MLAT with foreign governments in order to gain access to such information. The GOS is willing to enter into such an agreement with the USG. We have provided a draft designation agreement to the GOS and will hold consultations between the two governments before mid-1996. Singapore is not a signatory to the UN Convention, but it is a member of FATF.

**Slovakia.** (Medium) Slovakia's banking sector remains primarily under state control, with only a handful of private banks currently operating in the country. Law enforcement officials believe, although they have no firm evidence on which to base this conclusion, that Slovak banks, both state-run and private are involved in money laundering. Anecdotal information suggests that criminal organizations are of increasing influence and are engaged in illicit financial activity. Unfortunately, the police do not have the experience or the resources to even begin to look at this problem. Therefore, it is impossible to identify precisely the type of money laundering that is being carried out, or to state categorically that it is related to narcotics trafficking.

There is no formal information sharing mechanism established between the USG and Slovak law enforcement entities. There do exist, however, good, informal contacts through which information requests related to specific cases are passed. It is not known if Slovakia has similar arrangements with any other countries.

Money laundering is incorporated as a criminal offense in the Slovak penal code, however, banks are under no requirement to report large cash transactions to a central authority. In addition, the authorities are simply not equipped to begin to focus attention on this problem.

**South Africa.** (Low Medium) South Africa is the major financial center in the Southern Africa region and has great potential as a money laundering base. Money laundering is not yet a criminal offense in South Africa, although money laundering legislation written in 1995 is expected to come before Parliament during early 1996. However, assets used by persons convicted of narcotics-related crimes may be seized through the 1992 drug control act and turned over to the state treasury.

The US Department of Treasury, including the Office of Asset Forfeiture, ATF, Customs, IRS and Secret Service, conducted a highly successful money laundering and asset forfeiture conference in September 1995. South African Customs, however, is a revenue-collecting agency in the midst of a major reorganization, and bureaucratic obstacles remain to be surmounted before Customs can take over narcotics interdiction at ports of entry.

**Spain.** (Medium High) Spain is increasingly aware of its potential as a significant money laundering center. Spanish financial institutions are being used by traffickers to launder illicit proceeds. Banks and institutions of neighboring Gibraltar and Andorra are similarly used. However, Spanish financial institutions are increasingly sensitized to the modus operandi and signature of money laundering activities, which has led Spanish financial institutions to be more cooperative in combating money laundering activities. Money laundering in Spain is suspected of being primarily related to narcotics proceeds.

Money laundering occurs primarily in the financial system, though there is increasing evidence that money is laundered through the acquisition and sale of real estate. Illicit activities are directly related to the sale/distribution of heroin, cocaine and cannabis. Money laundering activities in Spain are often related to the large Latin American drug cartels.

According to Spanish national law enforcement investigative reports, an undetermined, yet significant amount of illicit proceeds are estimated to arrive in the United States from Spanish financial institutions. Agreement exists between the US and Spain on the exchange of records in connection with narcotics investigations and proceeds from these criminal activities.

Spain has adopted laws and regulations which ensure the availability of records of narcotics investigations to appropriate USG personnel and those of other governments.

Spain is a signatory of the 1988 Vienna Convention and has adopted formal articles of ratification. Spain is a member of FATF.

Spain is the originator and founder of the "madrid group", a coalition of eight western European countries' national directors and heads of anti-drug agencies. The intended purpose of the group is to exchange information and intelligence relating to all aspects of criminal narcotics activity.

Money laundering became a criminal offense in December 1992, punishable by imprisonment or by fine. December 1993 legislation expanded money laundering activities to include terrorism and organized crime.

Banks and other financial institutions are required to report the identity of customers engaging in significant, large currency transactions. Banks and other financial institutions are required to maintain sufficient records to reconstruct significant transactions through financial institutions. This enables banks to respond quickly to information requests from appropriate government authorities in narcotics-related inquiries. The bank of Spain is the central, long-term depository of financial records. Branch offices of all banks operating in Spain maintain short-term records as well as provide them to the central bank on a daily basis. Bankers and others are protected by law with respect to their cooperation with law enforcement entities.

Spain is in full compliance with the 1988 Vienna Convention and its MLAT with the US. Spain has cooperated fully with law enforcement agencies of the USG and other governments investigating financial crimes related to narcotics trafficking and money laundering.

Spain has addressed the problem of international transportation of illegal-source currency and monetary instruments. There are controls on the amount of currency which can be brought into or out of Spain, but the courts continue to apply lenient sentences when these controls are violated.

Spain continues to enforce the "due diligence" and "banker negligence" laws in money laundering legislation approved in December 1993. The money laundering controls are also applied to non-banking financial institutions, such as exchange houses. There have been no notable declines in deposits attributable to changes in money laundering laws.

There have been arrests, seizures, forfeitures and prosecutions for money laundering. The ongoing "charlines" case, involving a Galician crime organization, was the most significant such case in 1995. In 1995 Spain adopted broader laws permitting the use of controlled shipments, the forfeiture of drug traffickers' assets, and the use of undercover agents to infiltrate narcotics rings to gain evidence. The 1995 legislation also permits controlled money pick-ups to facilitate money laundering investigations. Financial instruments, real estate or personal property, particularly boats, automobiles and even shops or bars may be seized or frozen.

Spain has made progress, albeit slowly, to work with other governments to identify, trace and freeze narcotics assets. With the recent passage of legislation and revisions to the penal code, Spain is likely to coordinate more closely in the future with foreign governments in the areas of identifying, tracing and freezing assets resulting from drug trafficking. Under recently passed legislation, the government of Spain may share in asset forfeitures. National laws do not yet permit sharing of forfeited assets with other countries. This new legislation is intended to close legal loopholes that would otherwise allow traffickers and others to shield assets. Legislation allows for criminal forfeiture of assets seized in narcotics-related activities.

The Spanish national police narcotics division and the civil guard are all entitled to investigate criminal offenses related to drug money laundering. Under recently approved legislation, Spanish national law enforcement agencies are empowered to both seize and enforce forfeiture proceedings.

The dollar amount of assets seized in narcotics operations in 1994 by Spanish law enforcement authorities was roughly US \$10.5 million. This represents a 20 fold increase and is likely to increase next year. This increase is due primarily to passage of money laundering legislation and the 60 ton increase in confiscated hashish in 1994. The government of Spain is engaged in bilateral or multilateral negotiations with other governments to harmonize efforts regarding asset tracing and seizure.

**Sri Lanka.** (Low ) Sri Lanka is not considered a major money laundering center, nor is it considered a tax haven, offshore banking center, or an important financial center in the region. The country does not facilitate or encourage money laundering as a matter of government policy.

Current legislation specifically excludes transactions relating to narcotics trafficking under its Bank Secrecy Act. Draft legislation amending the dangerous drugs ordinance to include specific provisions against money laundering, prepared by NDDCB, was not presented to parliament in 1995. It is due to be presented in early 1996. Sri Lanka is a signatory to the 1988 UN Convention.



Draft legislation to be presented to parliament in early 1996 contains specific provisions relating to forfeiture of assets from narcotics trafficking.

**Sudan.** (No Priority) Sudan is not a drug money laundering center.

**Suriname.** (Low) The primarily Dutch owned banks are sensitive to money laundering methodology, and money laundering by outside drug interests does not appear to be taking place. There are no structures in the country which would lend themselves to international drug laundering. However, laundering of money through real estates acquisitions and investments by local traffickers is of continuing concern. The government has no programs in place to identify or inhibit that illicit activity, but the Summit of the Americas Money Laundering Conference and communique is heightening the awareness of Suriname's officials to the dangers of money laundering.

**Sweden.** (Low) Sweden is not an important money laundering center, but the government has ratified the 1988 UN Convention, and criminalized money laundering. In compliance with the 1988 UN Convention and FATF recommendations, Sweden requires banks and other financial institutions to record and report the identity of customers engaging in significant and/or suspicious transactions. Sweden also have asset forfeiture and seizure laws relative to drug trafficking offense. The police have established a "National Financial Intelligence Service" Unit to enforce these laws.

**Switzerland.** (High) Switzerland is one of the world's leading financial centers, and its very sophisticated banking system, like those of other key financial centers, remains vulnerable to and is often exploited by money launderers. Money laundered in Switzerland involves proceeds from the sale of the three major drugs (cocaine, heroin, and cannabis) but also includes proceeds from other serious crimes. Switzerland serves as a transit point for money, licit and illicit, as well as a conversion point.

The major traffickers themselves are usually not present in Switzerland during these transactions, which are conducted by middlemen including professional money launderers. Switzerland is in fact more important as a tax haven than as a money-laundering site, since Swiss law does not allow legal assistance if tax evasion is the only alleged crime. Money laundering occurs through banks and non-banking financial institutions. Approximately \$US 425 million has been frozen in Swiss banking institutions since 1990 and was identified primarily via narcotics investigations by DEA.

US and Swiss authorities have cooperated in many important cases. Whereas US authorities are required under the Swiss-US mutual legal assistance treaty to work through Swiss central government authorities, most actual enforcement in Switzerland takes place at the cantonal level. Switzerland routinely coordinates and exchanges information on money laundering cases with other countries, primarily with the US.

Switzerland has signed the 1988 UN Convention, and the Swiss government will seek ratification in 1997. Switzerland is a member of FATF and has moved to implement effectively FATF recommendations.



The Swiss penal code has explicitly recognized money laundering is a criminal offense since August 1990. The failure by banks or agents to exercise due diligence in identifying the beneficial owner of assets entrusted to their care also carries criminal sanctions. The requirement that trustees disclose the names of beneficial owners effectively lifted the veil of bank secrecy off the fabled Swiss numbered bank account. This first package of measures permitted Switzerland to participate actively in international cooperation, but did not deter money laundering to the degree desired. Consequently, the Cabinet and the Parliament adopted a second package of measures which came into force on August 1, 1994. These measures criminalize membership in or support of a criminal organization. The change in the law facilitates confiscation of illicitly acquired assets without having to establish an exact linkage between a given asset and a specific crime. In addition, the revised penal code allows bank employees to report suspicious transactions without fear of violating the bank secrecy regulations.

In 1994, the federal government presented a third package of measures which would extend the money laundering legislation to non-banking financial institutions and establish an obligation to report suspicious transactions. The Parliament is expected to decide on these proposed measures in the Spring of 1996. Non-banking financial institutions, such as exchange houses, are not affected by the due diligence convention or by the circular letter from the federal banking commission, since the commission has no authority over them. They are, however, subject to the penal code, notably the code's prohibition of money laundering and its requirement for due diligence in identifying the beneficial owner of assets.

In 1995, a federal administrative body was created to lead the fight against organized crime. This office coordinates operations between the cantons, collects and distributes information on organized crime, and develops contacts with similar bodies abroad.

In order to implement FATF recommendations, the Swiss banking commission prepared a "circular letter" which took effect in 1992. Swiss banks are already self-regulated on the issue of customer identification through the "due-diligence" convention of 1987. This "due-diligence" convention requires Swiss bankers to identify the beneficial owner of accounts and provides sanctions against banks which fail to live up to the convention. The Convention was renewed in 1992 and strengthened to conform with FATF regulations and the "circular letter". Banks are required to maintain records of currency transactions of SFR 100,000 or more; they are not required to report this data to a central authority. The banking commission, in consultation with the banks, plans to lower this threshold to SFR 25,000.

Switzerland, like several other financial centers, has never restricted international capital movements, relying instead on internal controls. Concern that a lack of restricts on cross-border currency movements could abet money laundering has spurred the Swiss government to sponsor legislation designed to curb any such abuses.

In November 1995, the Colombian national Sheila Miriam Arana de Nasser confessed in a Miami court to money laundering. Based on this confession, US and Swiss authorities anticipate dividing \$US 160 million dollars in blocked Swiss bank accounts. At present, Swiss officials are cooperating with US and Mexican officials in the sensitive investigation of money laundering charges involving members of the Salinas family; over \$US 100 million is frozen in Swiss-controlled bank accounts in this case.

Switzerland ratified the Council of Europe Convention on Asset Forfeiture and Confiscation. Notably, Swiss forfeiture law is not limited to narcotics trafficking cases, but instead focuses on criminal activity in general. The new law which came into force on August 1, 1994, allows confiscation of assets equivalent in value to the wealth derived from criminal activity. Judges have authority to estimate the amount of wealth that a criminal earned illegally. The court can then order confiscation of assets up to the established amount of criminal wealth, without having to prove that these assets derive from crime. If assets are forfeited, the proceeds go to the canton's general budget in which the legal action took place. The measure introduced in August 1994 also shifts the burden of the proof vis-a-vis the acquisition of wealth to the accused.

**Syria.** (Low) Syria is considered neither an important regional financial center nor a significant drug money laundering center. The absence of private banks, combined with harsh penalties for illegal currency dealings, limits money laundering, which, although possible, is much easier to carry out in neighboring Lebanon.

**Taiwan.** (Medium) Experts say money laundering in Taiwan is not solely connected to narcotics trafficking, but is also related to activities such as illegal manufacturing and insider trading on the securities market. Money laundering in Taiwan has been a largely underground phenomenon, with jewelry stores, leasing companies, and pawn shops serving as major capital movement channels.

Taiwan is continuing an active counternarcotics effort which includes harsh sentences for narcotics trafficking, including capital punishment under existing laws as well as social rehabilitation programs. New legislation, to augment existing counternarcotics laws and bring Taiwan into conformity with the 1988 UN Narcotics Convention as well as the recommendations of the financial and chemical action task forces relating to money laundering and precursor chemical controls, is under legislative consideration.

**Tajikistan.** (No Priority) Tajikistan is not a money laundering center.

**Tanzania.** (No Priority) Certain foreign investments on the Tanzania mainland and on the island of Zanzibar are alleged to be linked with money laundering activities, though hard evidence is lacking. Little information is available concerning money laundering in Tanzania. The lack of experience and training among bank officials and local law enforcement authorities is reflected in their lack of information.

**Thailand.** (High) Thailand is an important and growing regional center for financial activities whose importance in the worlds of both licit and illicit capital movement has not been matched to date by commensurate measures to prevent money laundering and other financial crimes. Its efficient network of banks and financial institutions are used by drug traffickers to move and hide their proceeds throughout Asia. Thus, Thailand remains one of the key money laundering concerns in Asia. Although these problems remain, two succeeding governments have pushed forward to introduce money laundering legislation, a move which has official, business and public support. These new laws are expected to be enacted in the Spring 1996 parliamentary session.

Rapid economic growth, real estate investment and an active stock market coupled with a major presence of international financial institutions make Thailand an attractive investment site. Thai investment in the region, especially in the economies of Cambodia, Laos and Vietnam, and also Burma, is a consequence of comparatively rapid economic growth and burgeoning investment capital and the fact that its banking and financial service sectors are far more developed than those of neighboring countries. An offshore banking facility in Bangkok, specifically designed to meet the needs of outside investors in these neighboring countries, was created in 1992.

Besides the official financial system, an extensive informal and less regulated financial system exists. This, coupled with the presence of large amounts of money from the illicit drug trafficking, smuggling of commodities and arms, and from gambling, prostitution, counterfeiting and other extra-legal practices has created a situation where, in the opinion of most international experts, money laundering is inevitable and relatively widespread. A committee set up under the authority of the Prime Minister's office completed draft money legislation in the Spring of 1995. This legislation was not introduced in Parliament due to the dissolution of the previous government in May. Following the July elections, resulting in the formation of a new coalition government, the draft legislation is again under consideration by the government. Senior government officials have said that legislation will be introduced and passed in the upcoming parliamentary session beginning in March 1996.

Since there is an absence of appropriate money laundering legislation and current bank secrecy practices make it nearly impossible for the Royal Thai government itself to obtain financial information required for narcotics-related financial investigations, little action has been taken to target the financial underpinnings of illegal activities including drug trafficking and other forms of smuggling. The issue is not the government's willingness to share information, so much as the inability under the present legal situation to obtain such information. Thailand has participated in meetings of the Financial Action Task Force (FATF), consulted with the governments of the United States, Great Britain and Australia and with the United Nations to gain information regarding money laundering laws and control systems. Thailand's current efforts to enact money laundering legislation are, in part, a response to the urgings of the FATF and other foreign countries, including Dublin Group.

Passage of appropriate money laundering legislation is the last hurdle Thailand needs to cross to permit it to accede to the 1988 UN Convention.

Pending the passage of the money laundering legislation, the only drug-related law governing assets is the 1991 Asset Seizure Law. Proposed money laundering legislation currently being reviewed within the government would initially criminalize only drug-related money laundering. Thai officials and members of the drafting committee have indicated that this initial restriction, believed necessary to get the legislation passed into law, should in the future be relaxed to cover money laundering of funds from any illicit source. The legislation drafting committee has studied a number of different legal models including UN and OAS Model Regulations and has built in bank reporting requirements in the law as well as provisions protecting bankers from consequences of their compliance with the reporting requirements. One area of US concern is the lack of specific language in the draft legislation covering the sharing of information internationally.

An asset seizure law was passed in 1991 and implemented in 1992. Until this year progress appeared slow in gaining convictions under the law. In September 1995, Thai authorities completed the first successful prosecutions under the asset seizure and conspiracy statutes. According to Thai officials, the newness of the legislation and the government's desire to present very solid cases accounted for the apparent slowness of implementation leading to these initial successes. In the future, it is hoped that prosecutions and convictions will proceed more rapidly.

The Property Examination Committee of the ONCB is the body having primary responsibility for action under the asset seizure law. As of late this year a total of 138 cases involving in excess of 9 million dollars in assets have been brought under the asset seizure law. ONCB Property Examination Committee officials have received good cooperation from banks and other financial institutions in instances where seizure orders have been issued, but -- absent legislation requiring them to do so -- banks will not necessarily provide information to law enforcement officials to assist in investigations.

Under the asset seizure and conspiracy laws, enforcement officials are not permitted to open investigations or bring charges relating to assets connected to drug-related crimes committed before the implementation date of the act. As time passes, this limitation will diminish in importance.

**Trinidad and Tobago.** (Low-Medium) While money laundering may take place in banks, credit unions, stock brokerages and insurance companies, no cases have established the extent of money laundering. Information is shared informally and through official channels such as the CFATF. The GOTT is currently negotiating a mutual legal assistance treaty with the United States. It has ratified the 1988 UN Convention. Money laundering is a criminal offense, not limited to drug trafficking. Banks voluntarily report transactions involving over about US\$ 8,000 in cash. Banking records must be maintained for 14 years and the law requires banks to report suspicious transactions. Bankers and others reporting a suspicious transaction are protected by law from prosecution. Travellers entering and departing TT must declare currency of US\$ 5,000 or more to customs; cash above US\$ 10,000 in value may be seized by customs, with judicial approval, pending determination of its legitimate source.

Money laundering guidelines, set by the central bank, apply only to banks. However, employees of credit unions or exchange houses are subject to money laundering penalties. There have not been any arrests or prosecutions for money laundering.

**Turkey.** (High) Turkey is one of the three governments whose priority has been raised to High for 1996, indicating US belief that immediate remedial action is necessary to counter money laundering practices. This assessment also takes into account deep concerns about the inadequacies of current law and uncertainties about the effectiveness of new laws which have been promised for enactment by June 1996.

The increased priority assigned to Turkey is rooted in part on concerns that money laundering there is not limited to drug proceeds but includes proceeds of other criminal activity. While there is no consensus as to whether actual volumes of transactions have increased, there is no question about the need for Turkey to demonstrate the political will to make these changes before the problem worsens. Turkey remains one of the few members of FATF which has not adopted legislation to meet international standards. Money laundering may not be the most critical problem confronting the Turkish government, but it deserves a higher political priority than it has received in the past.

Given the prominence of Turkish drug trafficking organizations in the European drug market, Turkey is also considered to be a high priority for money laundering because of the likelihood that some drug profits are returned to Turkey for investment in legitimate businesses. The Turkish parliament literally came within hours of passing legislation before its Christmas-time adjournment but Turkish officials assure that it will be reintroduced and could be passed by June. However, the text advises that implementation will be dependent upon subsequently enacted regulations.

The draft legislation is not perfect, but its adoption would be a major step towards meeting Turkey's obligations under the 1988 UN Convention. As currently drafted, the proposed law would criminalize money laundering involving the proceeds of all crimes, not just drug trafficking, and includes the proceeds of contraband smuggling as well as funding of terrorist organizations. Among the bill's important impacts, a new "financial crimes research and investigation administration" will have sole responsibility for controlling money laundering. The bill would strengthen existing asset seizure laws to bring them into line with the 1988 Convention.

Money laundering is not now prohibited or controlled. Turkey has taken other steps which are consistent with global money laundering countermeasures. The central bank requires banks to report every month transactions above three billion Turkish Lira (50,000 USD), together with customer identification. This information goes to the treasury and finance ministry. The banking law requires banks and financial institutions to maintain all documents -- originals if possible -- related to their operations. The Turkish commercial code requires all entities to keep their records for ten years.

**Turkmenistan.** (No Priority) Growing number of casinos and foreign-run luxury hotels has raised concern among some observers about Turkmenistan's vulnerability to becoming a haven for money-laundering activities associated with the narcotics trade. Turkmenistan is not a signatory to the 1988 U.N. convention, but its government is considering accession at this time.

**Uganda.** (No Priority) Kampala is experiencing a dramatic influx of Western currency, primarily from non-government organizations and donor nations. Ugandan authorities assume that some of the funds transferred into Uganda may also be from illicit sources, but, there is no indication of a large volume of illicit money, and authorities concede they lack the expertise to conduct effective investigations.

**Ukraine.** (Low) Capital flight presents a more serious problem in Ukraine than money laundering. Ukraine is not a financial center in its own right as the Ukrainian banking sector remains below Western standards. Some laundering is undertaken by Russian organized crime in Crimea, which is a haven for them and for Russian banks, but Ukrainian criminal groups are assumed to transfer much of their profits to Europe. Legislation has been passed in 1995 that creates legal mechanisms to prevent capital flight and which provides for asset seizure and forfeiture of monies and property derived from illegal activities. Government authorities take the problem of capital flight and money laundering very seriously and have pushed parliament to pass laws to restrict such activities.

**United Arab Emirates.** (Medium High) The United Arab Emirates (UAE) is an important financial center in its own region. Although not on the same scale as East Asian banking centers, the UAE's open and accessible banking system makes it a regional financial center.

Currently, the UAE does not have laws to restrict or prevent money laundering, nor does it have disclosure laws, so no information is available on the sources of assets held by UAE banks. Given the UAE's proximity to regional drug producing countries, however, it is likely that trafficking organizations use UAE banks to launder their narcotics proceeds.

UAE is not considered an important tax haven or offshore banking center. Money laundering is currently not illegal in the UAE. Both the banking system and the non-bank financial system (primarily the "Hawala" system used widely throughout South Asia) are open and flourishing. Currently no information is available on the extent to which UAE banks are used for laundering, or the organizations involved in money laundering. The UAE has been working on legislation to control money laundering for the past two years, and reportedly has draft legislation in place which it hopes to implement in 1996. The UAE does not have foreign currency controls and US dollars, like other foreign currencies, are freely exchanged. The UAE does not have laws allowing for asset forfeiture and seizure.

**United Kingdom.** (High) UK banks and other financial institutions share the vulnerability to money laundering experienced by the world's major banking centers. Narcotics proceeds are converted in the UK but also transit the country. The Channel Islands and the Isle of Man have offshore banking facilities that are also believed to attract drug funds, and have adopted money laundering countermeasures.

HMG has comprehensive legislation aimed at preventing money laundering. The government moves swiftly to plug loopholes. Between January 1987 and December 1994, there were 102 prosecutions for money laundering. USG agencies work closely with their British counterparts in dealing with the money laundering problem. US federal law enforcement supports the NCIS's Financial Intelligence Unit.

The Criminal Justice (international cooperation) Act of 1990 enhanced the ability of the authorities to deal with money laundering including the power to hold cash being imported to or exported from the UK for up to two years if a narcotics connection is suspected, with potential for civil forfeiture. 1993 amendments to the Drug Trafficking Offenses Act of 1986 require banks and other institutions to report suspicious transactions. Under the 1986 act, the reporting of suspicious transactions was voluntary - with the caveat that any bank official who failed to report a suspicious transaction could themselves be prosecuted for money laundering. The 1993 act also created new immunities from civil action for bank officials and others who disclose suspicions of money laundering to NCIS. The Act of 1993 incorporated money laundering for all types of criminal offenses. Previously money laundering had been limited to narcotics and terrorism.

Since April 1, 1994 UK banks have been required to maintain records of large currency transactions including the identity of customers engaging in such transactions and report the data regularly to a central authority. Such records are maintained for five years. Suspicious transactions are reported to NCIS. The money laundering regulations of 1993 also require financial institutions to establish procedures for preventing money laundering, (e.g. the establishment of internal reporting systems, the provision of training in the recognition and handling of transactions which appear to be related to money laundering.) HMG utilizes a "knowingly or suspectingly" standard. The UK has established systems for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets, but HMG has only enacted laws for sharing seized narcotics assets with the USG. HMG continues to address the problem of international transportation of illegal-source currency and monetary instruments.

**Uruguay.** (Medium High) Uruguay is a significant financial center in the Southern Cone, with huge foreign deposits and money laundering is not illegal. USG and European law enforcement officials believe that narcotics traffickers launder money here, both in banks and exchange houses. However, while there have been several recent incidents in which Uruguayan banks were used to deposit illegal funds, the extent of the problem is not known and there is no solid evidence that money laundering is widespread.

It is also not clear what percentage of money laundering proceeds are owned by local organizations. There is some indication that terrorist groups (i.e. ETA, Shining Path/Sendero Luminoso, Tupac Amaru/MRTA) might be using Uruguay to launder money.

Although the government is adamant in its statements about curbing the practice, money laundering is not yet a crime in Uruguay. There are no controls on the amount of currency or gold entering or leaving the country. The GOU has not yet addressed the problem of international transportation of illegally-sourced currency and monetary instruments.



This may change, however, because Uruguay signed the Ministerial Communique on money laundering in Buenos Aires December 1995, agreeing to the establishment and implementation of regulations concerning the international transportation of money and instruments across national borders.

The GOU has been actively participating in SOA Ministerial meetings on money laundering, which culminated in the Buenos Aires Ministerial in December 1995. The Uruguayan Drug Czar was recently elected by acclamation to be the President of the O.A.S. Working Group on Strategies to Fight Narcotics Trafficking in the 21st Century. He is also Vice-President of the U.N. Commission on Narcotic Drugs (UNDCP). Uruguay takes its international role very seriously and not only intends to cooperate, but also to take the lead in the fight against the use and trafficking of illegal narcotics. The GOU has cooperated in good faith with the US on all narcotics-related investigations.

The USG-GOU Bilateral MLAT became effective in May 1994. The GOU ratified the U.N. Convention in September 1994 and deposited its instruments of ratification in March 1995. Money laundering is still not a criminal offense, although a money-laundering bill, to be presented to Parliament in early 1996, would make it so. Banks and exchange houses are required to record large currency transactions over 10,000 USD and to make their records available quickly to the Central Bank on request. All financial institutions are required to monitor transactions. The law provides for legal penalties if violations occur, but to date there has been little or no enforcement. Uruguayan law requires that each financial institution keep an accessible data base on all transactions exceeding 10,000 USD, and requires that those making such a transaction identify themselves. Banking officials are held liable if they commit acts which are considered criminal, or if they approve or overlook actions which entail violations of the law, including those which might involve money laundering.

Nevertheless, money laundering as such is not considered a crime, and the GOU has not adopted specific "due diligence" or "banker negligence" laws which would make individual bankers responsible if their institutions launder money, whether or not connected with other criminal activity. However, the Central Bank can revoke the licenses of banks and exchange houses involved in money laundering.

Central bankers have told USG representatives they would support a judicial request for information related to investigations involving money laundering. However, in 1994-1995 a solid investigation involving money exchange houses and banks in Montevideo was derailed due to the extraordinary amount of information which Uruguayan courts demanded prior to approving any request for financial/banking records. Courts in such cases require a level of information normally unavailable to the investigator, thus preventing effective access to banking records.

The GOU still does not have an established system for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets. This too will be addressed with the proposed money-laundering bill. No known "legal loopholes" exist to allow launderers to shield assets. While the GOU can legally seize laundered drug money from banks or businesses, to our knowledge the GOU has never applied the asset seizure law in a case involving a money-laundering related crime.



Strict bank secrecy laws which protect assets can be lifted by judicial decree to permit access to asset information, but it is rarely done. Although the law allows for criminal forfeiture, the GOU has never used the law against convicted narcotics traffickers. The courts, sensitive to any violation of rights, must first give such authorization. The GOU seized the assets of narcotraffickers in a recent operation in the province of Rivera, but it is still not clear whether the Government will be able to retain those assets.

Uruguay currently lacks any laws for sharing seized narcotics assets with other countries, although existing laws contain a legal basis for establishing potential agreements on sharing. In addition, Uruguay has expressed a willingness to negotiate such an agreement with other countries.

**Vanuatu.** (Low-Medium) While there have been few reports of drug traffickers laundering proceeds in Vanuatu, the island remains a concern because of its strict bank secrecy, its lack of foreign exchange controls, and the ease of creating offshore shell corporations. An offshore financial center for more than 20 years, Vanuatu has registered more than 100 foreign banks, and incorporated more than 1,000 companies, over 600 of which are considered offshore companies. It is believed that traffickers use these corporations to establish bank accounts in countries other than Vanuatu, and then launder money through these foreign banks.

**Venezuela.** (High) Venezuela is a major drug money laundering center due to its proximity to Colombia as well as to the size and sophistication of its financial markets. However, Venezuela is not considered a tax-haven or as an off-shore banking center. Rather, Venezuela generally exports capital in the form of capital flight to the US and other tax havens. Most money laundering occurs through exchange houses, commercial banks, casinos, fraudulently invoiced foreign trade, contraband, and real estate transactions. Money laundering in Venezuela is closely linked to cocaine trafficking by Colombian organizations. While the narcotics proceeds are primarily owned by Colombian or other third-country nationals, the money laundering networks are generally run by Venezuelans. Laundering transactions usually involve the exchange of US dollars in cash or in monetary instruments such as postal money orders for Colombian pesos or Venezuelan bolivares.

Venezuelan government exchange controls were imposed in 1994 to staunch the outflow of flight capital occurring during the financial crisis. While not intended, these policies tended to stimulate the growth of a large illegal parallel exchange market, which created new opportunities for money launderers to exploit. Since July 1995, the government has permitted a legal parallel exchange market to exist through the trading of Brady Bonds on the Caracas Stock Exchange.

The enactment of the 1993 Organic Drug Law was a major step forward in compliance with the 1988 UN Convention and other international agreements. The law explicitly criminalized money laundering associated with narcotics trafficking. The law applies to all financial institutions as well as non-financial businesses such as real estate brokers. Article 37 of the 1993 Organic Law defines money laundering as a crime with two formulations consistent with the terms of the UN Convention.

Money laundering is defined as (a) "hiding or concealing the origin, nature, location, movement or destination of capital or income, either liquid or fixed, with knowledge of their origin as products of the illicit traffic in drugs, narcotics and toxic substances", and (b) "transfer or conversion of assets, capital or other rights, with knowledge that they are products of illicit activities". The law imposes sanctions of 15 to 25 years imprisonment for money laundering crimes. In addition, the law establishes asset seizure/forfeiture procedures. Other important aspects of the law include:

- Banks and other financial institutions are required to self-initiate reporting of suspicious transactions to the technical judicial police.
- A "Due Diligence" principle is imposed on directors and officers of financial institutions.
- The use of anonymous accounts or fictitious names is prohibited. Complete identification of account holders is required.
- Financial institutions are required to maintain records for five years of all account transactions and to make them available to law enforcement investigators.
- Financial institutions are required not to divulge to account holders when they are under investigation.
- The Superintendency of Banks is required to monitor financial institutions to ensure that they develop adequate internal control policies and to conduct audits to ensure compliance.
- Officers and employees of financial institutions who report suspicious transactions are not subject to civil liability if sued by account holders.
- The Central Bank of Venezuela is required to design and develop a database on all foreign currency transactions and to provide information on such transactions to the PTJ or other law enforcement agencies.
- The Ministry of Justice and the Office of Notaries are required to maintain computerized databases on real estate transactions and to maintain special vigilance over any cash transactions.
- The Ministry of Finance is required to exercise control over trade in precious metals, stones, and jewelry as well as monitor invoicing of export/import transactions and commercial loans that are not considered normal business operations.

Despite the provisions of the 1993 Organic Law, in practice few banks or other financial institutions have complied fully with these requirements. The Venezuelan financial crisis which erupted in 1994 has diverted government attention and resources away from enforcing controls on money laundering. Government takeovers of failing banks makes the government increasingly directly responsible for monitoring suspicious transactions. (The Venezuelan Government now controls about 30 percent of the commercial banking system).

The financial crisis also led to the negotiation and signing of a mutual legal assistance agreement between the United States and Venezuela, to facilitate the exchange of information about illegal banking practices, which may ultimately benefit cooperative anti-money laundering efforts.

Venezuela and the US signed a "Kerry Amendment" Agreement in November 1990 for the exchange of information on cash transactions in excess of USD 10,000. The agreement was put into effect by Central Bank Resolution No. 90-12-05. However, the agreement applies only to transactions in foreign currencies, including the US dollar, but does not cover cash transactions in Venezuelan bolivares.

Venezuelan police agencies have initiated investigations and enforcement actions against several major money laundering organizations under the 1993 Organic Drug Law, but these cases have been frustrated by the courts. In October 1993, the Venezuelan National Guard successfully dismantled the "Sinforoso Caballero" money laundering organization which operated on the Colombian border with links to the Cali Cartel. Subsequent investigations revealed that a multinational financial group acted as the international connection for this money laundering organization. Indictments were issued by a Caracas criminal court judge against 34 individuals. However, due to pressure on the judicial system by the defendants, jurisdiction in the case was changed to the state of Tachira, where most of the defendants resided. In May 1994, the Tachira judge dismissed the arrest warrants against all defendants in the case. While the Venezuelan Supreme Court later overturned this decision in December 1994, no action was taken during 1995 to reopen the case.

In 1995, The Venezuelan Congress began consideration of two key pieces of legislation which will have important implications for controlling money laundering. The first is the Casinos Law, which will impose cash transaction reporting requirements on casinos as well as tighten up law enforcement oversight of gambling activities. The second is the Organized Crime Bill, which will introduce conspiracy provisions into Venezuelan criminal law.

**Vietnam.** (Low) Vietnam currently offers few attractions to drug money launderers, but that situation could change as foreign banks open branches. Vietnamese are known to engage in heroin trafficking and Australian officials report incidents of Vietnamese nationals smuggling gold between Australia and Vietnam, which they believe is related to heroin trafficking. It is believed that payment for some heroin shipments to Australia has been made by wire transfers from Australia to the United States. In 1995, the government began consideration of drug trafficking controls; US officials urged the Vietnamese to consider incorporation of FATF's 40 money laundering countermeasures.

**Yemen.** (No Priority) There are no statistics indicating there is money laundering in Yemen.

**Yugoslavia (Serbia & Montenegro).** (Low) Laundering of drug money has been reported anecdotally, but persuasive evidence is lacking. There are no specific laws prohibiting money laundering. If the practice occurs, it is probably on a limited scale. Belgrade is neither an important financial center, tax haven nor offshore banking center. Belgrade's financial system is primitive compared with other Western European capitals.

Given the insolvency of local banks and their complete inability to effect rapid electronic transfers, banks here would be an unlikely vehicle for laundering large sums of money. Furthermore, with the scandals that have rocked the banking system over the past several years, including the freezing of more than USD four billion in hard currency savings deposits, there are factors that would discourage anyone (drug traffickers included) from depositing large sums into local banks. Banking authorities here point to Cyprus and Switzerland as more likely candidates for money laundering by Yugoslavian nationals.

Belgrade, however, does harbor organized criminal elements, who are known to be active in drug trafficking. During the period of U.N. sanctions, organized crime was heavily involved in the smuggling of prohibited strategic materials -- principally oil and oil products. With the suspension of U.N. sanctions in late November 1995, and the legalization of imports of oil and fuel, organized crime is likely to seek more profitable alternatives, including both drugs and arms.

**Zambia.** (Low) The Bank of Zambia (BOZ) and the Drug Enforcement Commission (DEC) are increasingly concerned that money laundering is rampant in the banking industry. They have proposed tightening banking standards through legislative action. The government publicly denounces drug trafficking and supports the ongoing efforts of the autonomous DEC. The DEC has used strengthened narcotics laws this year to confiscate the property of traffickers. The head of the DEC collaborates with his counterparts in the sub-region to improve regional anti-trafficking efforts. Zambia ratified the 1988 UN Convention in 1993. The DEC has increasingly used its legal authority to confiscate property of suspected drug traffickers and money launderers. The courts have not, however, always sustained these confiscations.

The DEC and the Ministry of Legal Affairs cooperate with their counterparts in the Southern African Development Council (SADC). The DEC has received training from British anti-narcotics teams and works closely with their British counterparts. Germany, South Africa, and the US have also provided limited assistance to the DEC. Zambia's anti-narcotics master plan was developed in cooperation with the United Nations drug control program.. The Zambian Anti-Corruption Commission (ACC) investigates allegations of corruption, some of which has touched even the ministers of the government. Such allegations, never fully proven to the satisfaction of President Chiluba, led to the resignation of then Foreign Minister Vernon Mwaanga in January 1994. Mwaanga remains an important officer in the ruling MMD Party. This year, corruption allegations have focused on embezzling state funds and not on narcotics related corruption. It is alleged that drug traffickers are taking advantage of the weak enforcement of banking laws and launder drug money in a number of banks and foreign exchange houses.

No legal proceedings have yet been directed against the allegedly corrupt financial institutions or the government officials who have financial interests in those banks or foreign exchange houses.

**Zimbabwe.** (No Priority) Zimbabwe's currency regulations continue to make it less than ideal place for money laundering. An asset forfeiture act was passed in 1990 but remains underutilized as both the judiciary and law enforcement seem to lack an understanding of its application.